FINANCIAL TIMES

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MONDAY FEBRUARY 1 1999

Rudi Bogni of UBS
Polishing up the jewel in the crown
Profile, Page 7

PolyGram
Prince Muhammad – not just a glamour-crazed buyer
Page 21

Europe's socialists
Resolutely headed for the centre
Page 2

The beauty of bonds
Better than stocks, thanks to low inflation
Page 13

Mastering Information Management

A 12-part series on the I in IT starts today.
Part One: improving company performance

Separate section

WORLD NEWS

Palestinian council opposes May move *to declare statehood*

Palestinian Authority president Yassir Arafat has been told by his legislative council to abandon plans to declare a state on May 4. More than 80 per cent of council deputies opposed a unilateral declaration. Instead they want reforms to prepare for statehood. . **Page 14**

Iraqi military sites attacked
US and British warplanes again attacked Iraqi targets. A US jet fired at a radar site in the northern no-fly zone and US and British aircraft attacked Iraqi facilities in the south. **Baghdad attacks move to review UN ties, Page 4**

Europe's socialists target jobs
Left of centre-led governments in the European Union are planning measures to boost employment. They hope to offset the effect of weaker exports on growth and jobs. **International, Page 2**

Gibraltar fishing dispute worsens
Abel Matutes, Spain's foreign minister, warned of a diplomatic crisis over Gibraltar because London had not guaranteed a deal granting Spanish trawlers continued local fishing access. **International, Page 2**

Parliamentarian bows out
Tom Spencer, a senior Member of the European Parliament from Britain's Conservative party, withdrew from European parliament elections after cannabis and a gay sex video were found in his suitcase. **UK, Page 6**

Kosovo talks may go ahead
The six-nation Contact Group on Kosovo expects Yugoslav president Slobodan Milosevic and the Kosovo Liberation Army to attend peace talks this week. **Page 2**

Lewinsky set to testify
Monica Lewinsky, the former White House worker at the centre of charges against President Bill Clinton, will open a new phase of his impeachment trial when she testifies behind closed doors today. **International, Page 3**

Seoul warned against complacency
South Korea risks complacency over the degree to which it has overcome its economic crisis, a senior International Monetary Fund official warned, and it is still too early to say sustainable recovery has been achieved. **International, Page 4**

Anwar trial to continue
A judge trying Anwar Ibrahim ruled that Malaysia's ousted finance minister had a case to answer. He is accused of abusing his authority by directing police to obtain retractions from people who accused him of sex offences. **International, Page 4**

Lusty duck's day of reckoning
The UK government is to declare war on the lust-crazed ruddy duck, which is wreaking ecological havoc across Europe. Britain has been under pressure to start exterminating some 4,000 of the native American ducks which have made the UK their home. **UK, Page 6**

BUSINESS NEWS

Italian ruling may hit Murdoch plan for pay-TV football

The Italian government hopes to limit the broadcast rights of any one pay-TV organisation to 60 per cent of Serie A football matches. Rupert Murdoch's News Corporation Europe is seeking all rights. **Page 15**

Fujian International Trust and Investment Corporation, a Chinese trust and investment company, had provisional credit lines worth $100m cancelled by foreign banks. **Page 15**

General Motors said it was not seeking to take over Nissan and had no plans to top Ford Motor's offer for Volvo cars. **Page 16; Volvo woos other truck companies, Page 17**

Merrill Lynch, US investment bank, paid the Belgian government around $100m to settle a dispute over currency derivative transactions. **Page 15**

British Petroleum and Amoco of the US escaped more than $800m in duty on their merger because of a loophole in UK tax laws. **Page 6**

Eletrobrás, the Brazilian government's electricity holding company, is to be privatised in July despite the country's economic turmoil, officials said. **Page 15; Lex, Page 14**

MorphoSys of Germany and two other biotechnology companies plan to enter European markets in offerings that aim to raise a total of $100m. **Page 18**

Azkar, Spanish transport and logistics group, said it had been swamped by non-Spanish institutional demand for an initial public offering worth Pta24.6bn (€148m, $171m). **Page 21**

National Bank of Greece, the country's biggest bank, reported a 103 per cent increase in pre-tax 1998 profits to Dr130bn ($460m) after completing a merger with its housing subsidiary, National Mortgage Bank. **Page 21**

Dresdner Bank of Germany is to launch an investment company aimed at giving institutional clients higher yields. **Page 18**

Kellogg, US cereals company which accounts for about 32 per cent of the US market, ended a difficult year with earnings it said were disappointing. **Page 19**

Société Générale and Paribas, the French banks, are reported to have revived talks over a possible link-up. **Page 17**

European Insurance companies and brokers face heavy losses from a three-year foray into financing independent films, Hollywood executives said. **Page 3**

Lex on M&A in Japan
Japanese bosses hate to let go
Page 14

AXA's £3.6bn bid set to win GRE

French group's US strategy squeezes out rivals for UK insurer

By Andrew Bolger, Insurance Correspondent

Guardian Royal Exchange, the UK composite insurer, is expected to announce today it has accepted an offer from Axa, the French insurance group, that values it at about £3.6bn ($5.9bn), or 388p a share.

Axa made its bid for GRE, one of the UK's oldest companies, through Sun Life and Provincial Holdings, the UK composite in which its holds a 72 per cent *stake. GRE shareholders will be* offered cash and shares in Sun Life and Provincial, which will become third largest UK insurer behind CGU and Royal & Sun Alliance.

Although last-minute discussions could delay the official announcement by 24 hours, Axa learned on Saturday it had come from behind to grasp control of GRE from Eureko, an alliance of seven European insurers, and Royal & Sun – the only other bidders by Friday's deadline. GRE shares closed at 367½p on Friday.

Axa appears to have pipped Eureko because it has lined up buyers for the GRE general busi*nesses in the US that neither* company wanted to take on. Axa has agreed to sell the US businesses to Liberty Mutual of the US for about $1.5bn. It will also sell Albingia, GRE's German operation, to Colonia, the French group's own German arm for nearly £600m.

Eureko, which tabled a cash offer of 385p per share, was willing to take on GRE's US operations temporarily, but had been unable to complete due diligence and its offer was conditional in certain respects.

GRE said it believed Axa's was the best "clean" offer on the table.

Royal & Sun, which also *offered a mixture of cash and* shares worth almost 390p, fell out of the running on Friday because of the GRE board's suspicion of the paper element of the bid. Royal and Sun's shares had fallen 5 per cent since the company's interest was confirmed recently, and GRE feared the shares would fall further if a deal was concluded.

Sun Life and Provincial's shares have outperformed the market over the past two months, largely because investors believed Axa had dropped out of the race for GRE.

The deal would complete the rapid consolidation of the UK insurance market over the past two years. *It has seen CGU* created from the merger of Commercial Union and General Accident and Royal & Sun Alliance formed from Royal Insurance and Sun Alliance.

However, it would not address of the problem of overcapacity that has plagued the UK general insurance market.

The Axa takeover will mean far fewer redundancies than would have been sought by a UK competitor such as Royal & Sun.

Peter Owen, GRE's chief executive designate, is likely to be given a senior role in the enlarged organisation.

The takeover will enhance the formidable deal-making reputation of Claude Cluade Bebear, Axa's chairman, who has built the group into one of Europe's biggest insurers through acquisition and aggressive asset management.

Consolidation continues, Page 16
Lex, Page 14

MICROSOFT CHIEF ADDS HIS VOICE TO WARNINGS ON SECTOR

Internet stocks are priced too high says Gates

By Peter Martin in Davos

Bill Gates, chairman of Microsoft, yesterday joined the ranks of those who believe internet stocks are overvalued, but said his company would probably "participate in this frenzy a little bit" by making further acquisitions.

Speaking at the annual meeting of the World Economic Forum in Davos, Switzerland, Mr Gates said internet stock valuations were "breathtaking".

"I don't recommend *internet* stocks to people who don't like massive risk," he said, "especially at current levels. People are jumping into it like it's gold rush."

Similar comments have come in recent weeks from Alan Greenspan, chairman of the US Federal Reserve, and from Rupert Murdoch, chairman of News Corporation.

Mr Gates said internet stocks were merely an extreme case of an issue that affected the whole industry. "I do find the valuations of high-tech companies in general surprisingly high," he said.

However, he had held this view for over a decade, even when price/earnings ratios were at lower levels than they are today.

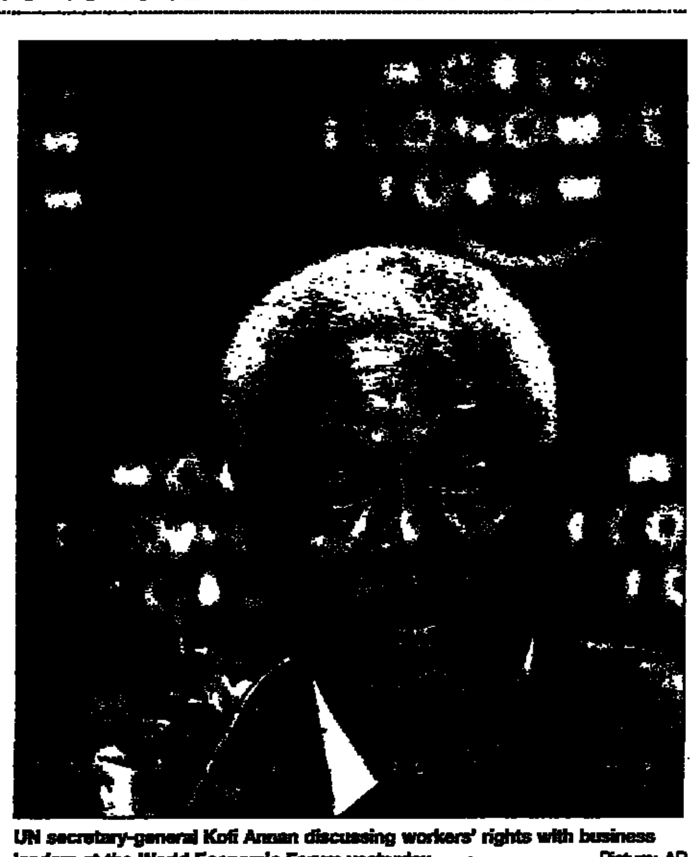
"So obviously that view that they were going to go down didn't prove out. In the long run, will I be right? I think so."

Investors tended to underestimate the impact of the intense competition in technology markets, he said. Technology companies should be valued at a discount to the shares of companies like Disney and Coca-Cola, which had stable long-term earnings.

Higher prices would make it harder to justify acquisitions, he said, "but I'm not saying that we won't participate in this frenzy a little bit".

Everybody in the industry had business plans that aimed at becoming one of the top three players on the internet. "Believe me, those business plans exist at Microsoft too – except it probably doesn't say 'top three', it's something more ambitious." Overall, the internet share price boom would probably prove valuable to the US economy, he said.

Global PC demand, Page 4
Reports from Davos, Page 5
Trade pledge, Page 14



UN secretary-general Kofi Annan discussing workers' rights with business leaders at the World Economic Forum yesterday Picture: AP

Brazil presses for early release of funds from IMF

By Geoff Dyer in São Paulo and Robert Chote in Davos

Stanley Fischer, first deputy managing director of the International Monetary Fund, arrives today in Brazil, where the government is pressing for the speedy release of funds from its $41.5bn emergency aid package and desperately looking for a way to halt the continuing slide of the Real against the dollar.

Pedro Parente, Brazil's deputy finance minister, said Mr Fischer's arrival would help "speed up the process" of whether the IMF would allow the prompt release of a $9bn tranche due to be made available by the end of February.

On Friday the Real, allowed to float two weeks ago, broke through the barrier of R$2 to the dollar. The currency has devalued by more than 40 per cent since January 12.

Mr Fischer is flying to Brazil direct from the World Economic Forum in Davos, Switzerland, where yesterday he stood by the IMF's controversial package for Brazil, which attempted to prop up an exchange rate that many observers thought overvalued the Real.

Mr Fischer said a clear and credible monetary policy was the key to stabilising the Brazilian currency. "There is no question that the currency has gone far too far given the underlying strengths and policy changes in the Brazilian economy."

The government has been trying to use high interest rates, which are now 37 per cent, to prevent further devaluation. However, this has prompted fears of an explosion in the stock of domestic debt, most of which is at floating interest rates, and a possible debt rescheduling.

The talks with the IMF come amid the first signs of panic among ordinary Brazilians over the currency crisis.

Banco do Brasil, the country's largest bank, and Febraban, Brazil's main banking association, both admitted that on *Friday there were a number of* heavy withdrawals from bank branches, but denied there had been a widespread run on deposits. Some of the biggest withdrawals were made from the bank branches in the Senate and lower house of Congress in Brasília.

President Fernando Henrique Cardoso was forced publicly to deny on Friday that he was planning to freeze bank accounts or take other emergency measures.

Reports from Davos, Page 5
Editorial Comment, Page 13
Lex, Page 14; Observer, Page 13
Eletrobrás privatisation, Page 15

Connections clamp cuts US phone bills

By Mark Suzman in Washington

US consumers are paying about a third less for international telephone calls than they were before the adoption of a controversial US policy a year ago.

According to preliminary calculations by the Federal Communications Commission, the unilateral imposition of a ceiling on connection rates paid by US telecommunications companies to foreign carriers is already having an impact on prices.

The FCC set the ceiling on rates it expected US carriers to pay their international counterparts from the beginning of 1999. The plan, which sets different targets and timetables for wealthier and less developed countries, aims to reduce the average cost of international calls from 88 cents a minute in 1997 to about 25 cents a minute by 2003.

the FCC estimates the average price for US consumers of an international call fell to 60 cents a minute during 1998, with the cost of connections to countries such as the UK and Sweden as low as 12 cents a minute.

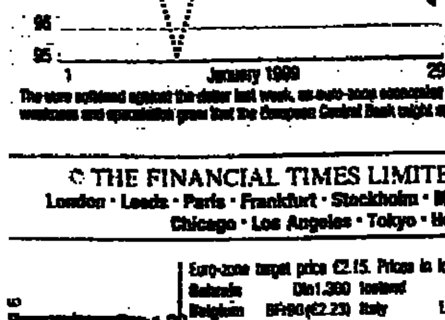
William Kennard, FCC chairman, said the reductions resulted from the success of the benchmarks policy and the growing liberalisation of global telecommunications markets under the World Trade Organisation agreement that took effect last year. "We're now at the end of the beginning of the war against telephone monopolies."

The new rates were imposed after the US grew frustrated at repeated delays in agreeing worldwide reforms to the international settlements system under which such rates are negotiated. Because the US has relatively low domestic rates, the arrangement resulted in a large net payment by US companies to international carriers – an aggregate $5.4bn in 1996.

FCC officials said price reductions in Europe had been satisfactory but progress in richer Asian states such as Singapore and Taiwan was slower and connection charges in big developing countries such as India and China remained "outrageous". Mr Kennard warned the FCC would pursue "an aggressive enforcement regime".

Under the policy, where a US carrier justifiably complains, the agency can in theory order the company not to pay more than the benchmark. Partly because of a long-running legal challenge by Cable and Wireless of the UK, claiming the FCC has no right to set unilateral rates, no such complaints have been brought.

Progress of the euro
Currencies vs euro (rebased Jan 1 1999=100)



Euro exchange rates

Dollar	1.13670
Yen	132.863
Sterling	0.69430
Swedish krona	8.96060
Danish krone	7.43790
Greek drachma	321.082
Swiss franc	1.61180

The euro softened against the dollar last week, as euro-zone economies continued to display signs of weakness and speculation grew that the European Central Bank might soon cut interest rates

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Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IK285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.80
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr16.00	Latvia	Ls1.85	South Africa	R16
Estonia	EKr34.00	Lithuania	Lt21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.19)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr560	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

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CONTENTS

World News: International 4	Comment & Analysis: 12,13
Europe 2 , US 3 , UK 6	Companies & Finance: 15-21
Technology: 7	Markets: 31-33

Full contents and Lex: back page

WORLD NEWS
EUROPE

LEFT-OF-CENTRE PARTIES SOCIALISTS AND SOCIAL DEMOCRATS MEETING IN VIENNA DISCUSS HOW TO SPUR GROWTH

European leaders plan jobs drive

By Peter Norman in Vienna

The 11 left of centre-led governments in the European Union are planning measures to boost employment and offset the negative effect of weaker export markets on economic growth and jobs.

Leaders of European socialist and social democratic parties commissioned Antonio Guterres, the Portuguese prime minister, to head a working group to investigate scope for action at the national and European level and report to the forthcoming congress of the Party of European Socialists (PES) in Milan at the beginning of March.

Viktor Klima, the Austrian chancellor who launched the initiative, said Mr Guterres would develop ideas about how to encourage growth and employment through fiscal and investment policy and by co-ordinating the European Union and national budgets.

Speaking on Saturday after a two-day brainstorming session in Vienna of left-of-centre leaders that was attended by seven European prime ministers, Mr Klima said the plans would not endanger price stability, which is the responsibility of the European Central Bank.

While details of the socialist leaders' policy options remained sketchy, there was no doubting the concern felt by some about the dangers to growth and jobs in Europe from global economic developments.

Oskar Lafontaine, the Bonn finance minister and leader of the German Social Democratic party, warned that recession could come quite quickly, according to one participant.

"We all face a tougher situation in the next year or so," said Tony Blair, the UK prime minister, after the talks.

"It is essential we focus on the policies to provide people with the job opportunities of the future in a new global market."

Mr Blair made clear that structural reform was vital in Europe and also essential to make the euro successful. To improve employability, Europe had to build a "workforce that is highly adaptable, well educated and well skilled, promote small enterprises, embrace new technological industries of the future and take measures to improve productivity and its ability to compete".

The role of government was "to make people better equipped to prosper" rather than "heavy handed intervention".

Mr Klima cited recent moves by the Austrian government to boost business research and development, improve vocational training, remove red tape, help with the foundation of new companies and support the hiring of social and environmental workers by local authorities as examples of how to create jobs.

Viktor Klima, Austrian chancellor (left), with Tony Blair, UK prime minister (right) Reuters

The Austrian leader also disclosed that, at his initiative, the PES would prepare an "action plan" against fraud and mismanagement in the EU to be debated in Milan. The planned programme for probity, economy and control would highlight the need for greater transparency and more orderly spending practices. It would be co-ordinated with the European parliament, the Commission and EU member states, which have also pledged to stamp out malpractice.

Election manifesto strikes centrist chord

By Peter Norman in Vienna

Leaders of Europe's socialist and social democratic parties agreed a manifesto for the European parliament elections in June that is centrist in tone with commitments to "a modern economy that ensures growth, competitiveness and job creation".

The 10-page document, which will be published officially in Brussels on Wednesday, was agreed with minor modifications after what participants described as an uncontroversial discussion. Tony Blair, the British prime minister and the arch-exponent of non-socialist left of centre politics, described it as "a very great step forward for the centre left parties in Europe" which marked them out as "champions of jobs and growth".

Rudolf Scharping, German defence minister and president of the Party of European Socialists, representing 20 left of centre parties from the European Union, Norway and Cyprus, underlined their commitment to the security of Europe's citizens in social policy and fighting crime. The manifesto declares that "each individual has more opportunity and more security if their community invests in modern services of high standards in education, health, transport and welfare".

It advocates "training, tax reform, the modernisation of welfare systems, the promotion of new enterprises and support for the non-market sector" to promote employment. The document shies away from strong commitments to traditional socialist policies. Thus, promoting employment "may include agreed reductions of working time negotiated between the social partners". A European growth strategy must embrace sustainable growth in both demand and investment. Economic reform and competitiveness require the effective protection of social rights.

The manifesto says "it is in the interests of all member states whether members of the single currency or not that the euro is a success". A sound euro will protect against currency speculation, allow for lower interest rates and contribute to a reformed and more stable world financial system.

It calls for a "particular effort" to enable small and medium-sized enterprises and peripheral regions to take advantage of the EU's single market. "Taxation should not distort economic decisions with regard to labour, capital and services." Using language that Mr Blair could support, the manifesto backs "better policy co-ordination" in the EU "to prevent harmful tax competition in the form of unfair tax breaks and hidden subsidies".

The PES parties "want an EU that both respects the identity of each of our countries and promotes a closer union between our peoples". They say a modern Europe needs a reformed common agricultural policy and reformed structural funds that are effectively targeted towards job creation.

The manifesto calls for the EU to find "new ways of financing investment such as public private partnership" and use of the European Investment Bank's lending facilities to overcome budgetary constraints.

It urges increased use of qualified majority voting "where desirable" in the EU's council of ministers as part of a reform of the EU's institutions before enlargement to include countries of eastern and central Europe.

Mr Blair said governments would examine each case for expanding majority voting on its merits and noted that Britain had benefited from the system when pushing through decisions for creating the single market. However, Pauline Green, the British leader of the socialist group in the European parliament, said unanimity should be kept in important areas such as changes to the EU treaties, enlargement of the EU and taxation.

Hopes rise for Kosovo peace talks

By Guy Dinmore in Belgrade

The six-nation Contact Group on Kosovo, backed by Nato, expects Yugoslav President Slobodan Milosevic and the separatist Kosovo Liberation Army to give a positive response by tomorrow to a summons to peace talks this week in France.

Robin Cook, UK foreign secretary, delivered what amounted to an ultimatum to both sides on Saturday, as well as a draft peace plan that would give Kosovo substantial autonomy for an interim period of three years, with the possibility of deploying an international peacekeeping force.

Diplomats said military commanders of the fragmented KLA had indicated they would attend the talks, to start in Rambouillet, near Paris, on Saturday. Ibrahim Rugova, the elected leader of Kosovo's ethnic Albanian majority, who has been bitterly criticised by the KLA for his non-militant stance, told Mr Cook he would be at the negotiating table.

Mr Milosevic said peace talks should be held in Serbia but told Mr Cook he would seriously consider the proposal of the Contact Group, comprising Britain, France, Germany, Italy, Russia and the US. It is thought Mr Milosevic would send a senior representative.

"I told Mr Milosevic that the Contact Group proposal offered a way out of a conflict he cannot win," Mr Cook said yesterday. "I also told Kosovo Albanian leaders that the proposal would provide for a democratic, self-governing Kosovo free from fear of bloodshed."

Tony Blair, British prime minister, and Al Gore, US vice-president, said Nato would back up the Contact Group's demands with force if the warring parties did not comply. Frustrated by stalling from both sides and mounting atrocities against civilians, the Contact Group has set a two-week deadline for conclusion of the talks. Mr Cook said only "20 per cent" of the peace proposal was up for discussion.

The 23-page draft, based on months of shuttle diplomacy by Chris Hill, US mediator, sets out a "high degree of self governance" for Kosovo with its own "president" and representation within federal Yugoslavia.

"Potentially, the KLA is the biggest problem," a western diplomat commented. Most KLA fighters are armed villagers with a strong loyalty to Mr Rugova, their elected "president", and would probably follow his line. But the rebel group's more radical leadership in exile may refuse to accept a deal.

Stephen Fidler adds from Washington: US media reports suggested over the weekend that support was growing within the US administration in favour of sending in US ground troops to a European-led peacekeeping force in Kosovo once a peace accord was fashioned. But Mr Gore told Britain's Sky television: "No decision on that has been made... We don't want to get to implementation before negotiation."

However, US senators speaking yesterday questioned how long they would be asked to remain in place.

Editorial comment, Page 13

Aznar rebrands party 'reformist centre'

By David White in Madrid

José Maria Aznar, Spanish prime minister, yesterday launched a bid to consolidate his Popular party's hold on power, with a re-organised and younger leadership team and a rebranding of its policies as "reformist centre".

He told 3,000 delegates at a PP congress in Madrid that the renovation undertaken in the top echelons should be carried out throughout the rest of the party.

His closing speech to the three-yearly congress, the last before the next general election in about a year's time, coincided with an opinion poll in the newspaper La Vanguardia showing the PP leading the opposition Socialists by 42 per cent of the vote to 37 per cent. The five-point gap would leave the PP just short of an absolute parliamentary majority, the newspaper said.

Mr Aznar, seeking to set the tone for other European centre-right parties, which are mostly languishing in opposition, placed the emphasis on opportunities, individual rights and solidarity, setting education and employment as priorities and promising a "profound reform" of public services.

After Mr Aznar's choice of Javier Arenas, previously labour minister, to take over running the party full-time as secretary-general, the congress approved further changes in the party's structure and its executive committee, promoting politicians in the 40-ish age bracket and increasing the number of women.

Among the few surprises was the inclusion in the committee of Josep Piqué, industry minister and government spokesman, who until the day before the congress was not a party member. Mr Piqué, who earlier disclaimed any long-term political ambitions, is now expected to head the PP's general election effort in Barcelona.

Several "old guard" conservatives were relegated. However, Manuel Fraga, the PP's founder and honorary president, a veteran of the Franco regime, said the party had not so much moved to the centre as expanded its reach.

The congress displayed almost Soviet-style unanimity. The new list of party posts was acclaimed, without challenge, by a vote of more than 99 per cent. Policy documents also received blanket approval, with a single dissenting vote registered in two out of five cases.

Despite the moderate pitch, Mr Aznar drew his biggest applause by defying Basque leaders on the possibility of constitutional changes. While reaffirming his desire for lasting peace in the Basque region following last September's ceasefire by the armed Eta organisation, he said there was "no alternative" to the current 1978 constitution, which laid the basis of regionalisation but enshrined Spanish national unity.

His remarks, setting a limit to political bargaining, were a clear retort to Xabier Arzalluz, leader of the Basque Nationalist party (PNV), which heads the region's government and is one of the regional parties the PP has counted on for parliamentary support in Madrid. To Mr Arzalluz's contention that the Basques "do not fit" in the constitution, Mr Aznar said: "Peace fits in the constitution and is possible only in the framework of the constitution."

Duisenberg cool on rate cuts

By Richard Adams

Further interest rates cuts within the euro-zone would only be justified by deflation and "persistently lower prices", Wim Duisenberg, president of the European Central Bank, said yesterday.

Mr Duisenberg told BBC television that interest rates within the single currency zone were already at historically low levels, and that further rate cuts would not help stimulate growth. "Further lowering [of] interest rates would only be justified if there was a climate of persistently lower prices. And if there were signs of deflation, then the lowering of interest rates would be justified. But we are not there yet," he told the BBC's *Money Programme*.

Mr Duisenberg said he was "used to withstanding pressure" from politicians to cut interest rates, and described the period since single currency's launch as a learning process for the ECB.

There were no signs of a real recession within Europe yet.

"We foresee that prices will remain stable or at the level of increase that they currently are. So from that background, there's no reason to do anything with interest rates," he said.

Mr Duisenberg also said there were "huge advantages" for the UK to join the single currency. But the UK needed to demonstrate that sterling's exchange rate against the euro could be stable – although this did not require membership of an exchange rate mechanism.

■ *Large-scale sales of gold* by Europe's central banks are not likely within the next 10 years, according to a senior member of the ECB. Sirkka Hamalainen, a member of the bank's executive council, said gold would eventually lose its reserve status, but significant sales by the European central banks would only come in the "very long term".

Fazio warns over Italy's low growth

By James Blitz in Rome

Antonio Fazio, governor of the Bank of Italy, has warned that the economy faces an uncertain 12 months and that political stability and labour market flexibility are again essential to boost growth.

Amid continuing concern that Italy has the most sluggish growth rate in the euro-zone area, Mr Fazio used a keynote address at the weekend to warn that levels of consumer demand and industrial production again threatened "unsatisfactory results in 1999".

Addressing the annual Forex convention in Verona, Mr Fazio noted that the government's tough budgetary discipline to get into the single European currency had led to an average Italian economic growth rate of 1.2 per cent in each of the last three years, around half that of Germany and France.

But he said hopes of an improved performance this year were still uncertain. "According to preliminary data, the level of production in the month of January looks to be the same as it was 12 months ago."

At the same time, he warned that Italian industrialists could not rely on an upturn in the world economy to boost production and exports this year. "What is needed are structural policies that reduce the rigidity of current expenditure, allow a reduction in the tax burden, and introduce flexibility in a job market that still responds to the logic of a closed economy."

With Italy's political scene appearing increasingly unstable, Mr Fazio also urged a return to "a basic stability in our institutions and our society along lines that everyone can share".

Italian government ministers in recent weeks have started to downgrade their economic forecasts for this year from the official prediction of 2.5 per cent made last April. Massimo D'Alema, prime minister, said last week that growth could still be over 2 per cent this year, although many analysts view this as uncertain.

For Mr Fazio, one of the main burdens on Italian growth has long been the high tax and contribution burden on Italian companies, which he said was one percentage point higher than the European average and 13 percentage points higher than the US. He warned that this could harm investment in the new euro-zone.

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NEWS DIGEST

FISHING DISPUTE

Spain warns of crisis with UK over Gibraltar

Abel Matutes, Spain's foreign minister, has warned of a prolonged diplomatic crisis with the UK over Gibraltar because London had failed to guarantee a verbal agreement made in October, which allowed Spanish trawlers continued access to their traditional fishing grounds in the coastal waters of the British colony. Mr Matutes has also formally complained to Brussels listing alleged non-compliance by Gibraltar of EU directives.

Gibraltar's authorities, which recently began to implement a 1991 ordinance that forbids the use of nets within three miles, did not recognise the verbal agreement and infuriated Madrid by seizing a local fishing vessel last week. In an attempt to defuse tension, the UK has offered new talks on the dispute saying it hoped to restore the "harmony" that existed up to 1997 when trawlers fished unmolested in the vicinity of the colony but that it could not contravene Gibraltarian law.

Mr Matutes said the UK statement was "not what Spain was hoping and what I had asked for". The Spanish response, as in the past when differences over Gibraltar have flared, will be to apply strict frontier controls on the colony's border with Spain. Mr Matutes said there was now "a crisis, perhaps a long one". **Tom Burns, Madrid**

EU RESEARCH PROJECT

Israeli participation blocked

Several European Union countries, led by France and Britain, are blocking Israel's participation in a €15bn ($17.4bn) scientific and research programme because of its failure to implement the Wye peace accord reached in October with the Palestinians.

Israel has responded by launching a diplomatic offensive in the run-up to next week's visit to the region by Joschka Fischer, Germany's foreign minister. Israel has also asked Germany, head of the EU presidency, to apply pressure on member states to allow Israel to join the programme.

Israel claims that some EU countries are "politically motivated" and has sharply criticised any linkage between its participation in the programme and the peace process. Implementation of the Wye accord was frozen in December when Benjamin Netanyahu, Israeli prime minister, refused to carry out a second troop pullback from the West Bank, claiming the Palestinians had failed to co-operate on security.

Countries opposing Israel's membership in the EU programme base their action on the mandate issued last year by the EU Council of Ministers to start negotiations with Israel. Final approval for joining the programme, the mandate stated, must take into account the peace process.

While the Commission supports Israel's entry, several council members object, as well as some European arliament deputies. **Judy Dempsey, Jerusalem**

POLISH ECONOMY

Call for weaker zloty

Poland needs a weaker zloty to bolster exports, which have suffered from the collapse of the Russian market, according to Jerzy Kropiwnicki, a minister and head of the government's Strategic Studies Unit.

Mr Kropiwnicki was speaking after the publication of trade figures for 11 months of last year, which show a $19bn trade deficit for the period. The trade deficit in the same period in 1997 was $14.7bn.

The call comes as the Solidarity-led government is seeking to head off demands from farmers who want to be compensated for a fall in prices last year. The health service is also threatening a general strike in support of higher wage claims. **Christopher Bobinski, Warsaw**

CLINTON IMPEACHMENT TRIAL MANAGERS HOPE FORMER WHITE HOUSE INTERN WILL BE ALLOWED TO GIVE EVIDENCE IN SENATE

Lewinsky testimony will be given in private

By Stephen Fidler in Washington

The Senate impeachment trial of President Bill Clinton enters a new phase today as Monica Lewinsky, the former White House intern at the centre of charges against him, testifies behind closed doors.

Ms Lewinsky will be the first of three witnesses called by the Republican "managers" of the trial from the House of Representatives to give depositions in a Washington hotel this week. The proceedings will be videotaped and the Senate will vote later on whether the tape should be shown in the Senate chamber or released to the public.

Vernon Jordan, Mr Clinton's friend, is due to give his deposition tomorrow and Sidney Blumenthal, a White House aide, on Wednesday.

George Gekas, one of the 13 House managers, said yesterday the aim of questioning would be to "follow up" on a number of issues, including whether Ms Lewinsky had been encouraged to provide false testimony or to hide gifts from the president. He told CNN television that the House managers had made a commitment not to question Ms Lewinsky about salacious details of her relations with the president.

The managers still hope that the Senate can be persuaded to allow witnesses to testify in the well of the Senate, though some have acknowledged that this will be a difficult task.

Some senators yesterday expressed strong doubts that there would be a two-thirds majority sufficient to impeach the president. Orrin Hatch, Utah Republican, told Fox television that "barring some thunderbolt of new evidence that would change people's minds", there was no way that the requisite 67 votes could be mustered to remove him from office.

The White House said on Saturday that Mr Clinton had postponed a planned trip to central America in February until March, so that he would be in the country on February 12, when, according to the current tentative plan of the Senate, the final vote in his impeachment trial would take place. He will visit Mexico as planned on February 15 and delay until March 8 his departure for central America.

In another development yesterday, the New York Times reported that Kenneth Starr, the independent counsel, was considering whether to ask a grand jury for a criminal indictment of Mr Clinton before his term expires. It quoted an associate as saying Mr Starr believed a sitting president could be indicted – but had given no hint of whether he would seek an indictment.

Asa Hutchinson, another House manager, told CBS TV such a discussion was "not helpful at all" while the Senate trial was continuing.

Mexico may face dollar peg pressure

By Henry Tricks in Mexico City

Pressure on Mexico to adopt a fixed exchange rate is set to mount in the run-up to next year's elections after a top presidential aspirant said he favoured an Argentina-style currency board.

Vicente Fox, a Mexican state governor who is the most likely presidential candidate for the pro-business National Action party (PAN), said he recently visited Argentina and Hong Kong to analyse their currency board systems, which fix the local currency to the dollar. "I have a very favourable position towards currency boards and I think they could be very interesting for Mexico," he said.

Last week, Carlos Gómez y Gómez, head of the Mexican Bankers Association, threw the weight of the financial sector behind a fixed exchange rate and eventual monetary union with the US. He said a move that way would help avert crisis at the end of President Ernesto Zedillo's term in 2000.

The government, however, insists it has no plans yet to abandon the floating peso, and officials fear the debate itself could promote exchange rate instability if speculators start to drive the peso lower against the dollar, anticipating it would be fixed at a lower level.

One official said there was "close to zero chance" of a currency board being proposed by Mr Zedillo, though he left open the possibility in the event of severe market turmoil in the run-up to the elections next year. Speaking at the World Economic Forum, José Angel Gurría, finance minister, was quoted as saying dollarisation was not on the agenda "in the foreseeable future".

The government's main argument against a fixed currency is that it reduces the tools available to fight external shocks. It would also be likely to stir strong resistance in Congress if it was perceived as threatening national sovereignty.

A new Hollywood abecedary: G is for good takings, R is for rotten

Family films make eight times more profit than ones with exploding heads, advocacy group says. **Christopher Parkes** reports

R, the Hollywood rating code for films depicting sex, violence and other content unsuitable for family viewing, serves a double purpose as a sign of a rotten rate of return on investment, according to a study of 10 years' worth of studio output.

G signifies good – as in clean fun and gross earnings – says the Dove Foundation, an advocacy group for more wholesome entertainment, which claims the average film with a "general" rating generates eight times more gross profit than an R-rated shocker.

In terms of return on investment, family fare is 78 per cent more rewarding than blood and guts.

Coming shortly after Walt Disney announced plans to re-focus its efforts on family films, the report may strike a chord among studios that are struggling to find a formula for consistent box office success.

Dove, using data commissioned from Paul Kagan Associates, a respected research firm, claims its findings "completely debunk" film-makers' claims that films stuffed with "naked bodies, exploding heads and filthy language" make most money.

Although the findings on profitability are based on estimates of numbers studios never reveal, but are commonly used as rule-of-thumb measures of success, the results seem to suggest scarcity value is a financial factor.

Of the 2,380 films given a wide US release (on 800 or more screens) in the decade to the end of 1997, only 75 were given a G rating. Walt Disney's main label, Buena Vista, provided 23 of those, with Warner Bros a distant second with 13.

Sony, which came close to collapse in the period under scrutiny, was the most prolific studio, with a total of 271 releases; it put out the most R-rated pictures (137) and made only four with the G rating.

Since 1968, Dove says, 60 per cent of all releases have been rated R.

Dick Rolfe, the foundation's chief executive, has sent copies of the report to studio executives and mutual fund and pension fund managers, in an effort to persuade both groups to review their policies "for profit's sake".

Average gross profit from a G-rated film in the review period was $94m, the study says, with R movies yielding only $11m apiece and PG products about $26m. Gross profit is defined as the studios' estimated revenues from cinemas, home video, and television rights minus production and promotion costs.


D-Day landings recreated in 'Saving Private Ryan': R-rated but suitable for families, says the Dove Foundation

According to the data, G and PG films enjoyed a come-back between 1993 and 1996, as the number of R-rated releases fell to a low of 99 in 1994, but the tide turned quickly, and the tally of films unsuitable for family audiences hit a record 169 in 1997.

The change in the mix reflects the studios' pursuit of young males, the most persistent cinema-goers, and their response to the early adoption of adult tastes by children which has lately afflicted toy industry sales.

Effects-heavy action films, commonly rated PG-13 or PG, are widely accepted in the marketplace as family viewing.

The Dove Foundation, supported by entertainment names such as Steve Allen and Michael Medved, securities executives and the former head coach of the Dallas Cowboys, acknowledges this shift with a less rigid stance than some advocacy groups.

It has given its "family approved" seal to several serious, R-rated films, including Steven Spielberg's *Schindler's List* and *Saving Private Ryan*.

"Moviegoers are not crying out for endless sequels of *Rugrats* and *Babe*," says Mr Rolfe, who rates the newly-released *Star Trek: Insurrection* (PG) as acceptable family viewing.

In his opinion Frank Capra's *It's a Wonderful Life* and Alfred Hitchcock's *North by Northwest* bear the mark of genius. But they don't make them like that any more.

Europeans burn fingers on films

By Christopher Parkes in Los Angeles

European insurance companies and brokers face heavy losses from a fumbled three-year foray into financing independent film, according to Hollywood cinema and insurance industry executives. The cost to the mainly British insurers involved in the gamble could reach $100m this year, the executives say.

More pain will follow as claims mount in a protracted shake-out expected to stem the flow of funding to unknowns hoping to produce hits such as *The Full Monty*.

"The chickens are coming home to roost," said Lorey Hoffman, a senior vice-president with Aon, the US insurance services group. "They are not the first people who have come to this town and got their fingers burnt."

CE Heath, the British independent insurance broker, Lloyds syndicates and some French insurers have been involved in the maze of new film financing techniques which has evolved in the past few years with the revival of cinema's popularity.

Their expected losses, which some say could continue for another five years as multiple-film deals wind down, originate in their heavy involvement since 1996 in "gap finance". This is a way, first developed by banks, for cash-strapped film makers to obtain loans.

At the outset, earlier this decade, banks readily gave loans to producers or directors who came to them with distribution contracts or other guarantees covering about 90 per cent of their budgets. The loans, protected by insurance, would be enough to cover the 10 per cent "gap".

In the interim, competition between banks and insurers looking for lucrative "special risk" business has widened the gap further.

In the worst cases, insurers have covered gaps of up to 80 per cent of a film's budget, according to Mr Hoffman. Although premiums were expensive, ranging up to 14 per cent of the sums insured, the policies proved to be "inadequately priced", he said.

Mr Hoffman, who had earlier told a UCLA Law School conference to expect a sharp contraction in the number of independent films made, said the insurers' main mistake was to ignore the laws of supply and demand in the market for movies that mostly cost $5m or less to make.

Under their influence, he said, the number of films produced annually outside the main studio circuit had grown as much as 25 per cent since 1995.

Despite the growing popularity of the cinema and the opening of new markets, there was limited screen space for low-budget films, especially in large markets such as the US. As a result, only 5-10 per cent of independent productions gained wide distribution.

Peter Hoffman, president of Seven Arts and a long-time champion of independent film, told the conference there was no need to feel sorry for insurers. "They are swimming in cash and need to take risks to look more like insurance companies than investment companies," he said.

"But it won't look good for any of us if it all goes wrong."

CANADIAN POLITICS GOVERNMENT FLUSH WITH CASH AND NO PROMISES TO KEEP

Ottawa's Liberals look forward to easy ride

By Edward Alden in Toronto

Jean Chrétien, the Canadian prime minister who celebrated his 65th birthday last month, recently joked that he would retire when a certain portly reporter in Ottawa's press gallery could beat him in a race up the House of Commons' steps. The reporter declined.

The quip nicely illustrates the position of Mr Chrétien's Liberal party, midway through its second term of office: ageing a bit, but still cocky and with no serious challengers in sight.

As Canada's parliament reconvenes today, life could scarcely look better for a Liberal in Ottawa.

The most recent survey by Angus Reid, the pollster, shows the Liberals enjoy the support of 45 per cent of Canadian voters. While this is not an overwhelming endorsement, the nearest opposition parties, Reform and Progressive Conservative, each capture a mere 15 per cent support.

The government has built a fiscal surplus of between C$7.5bn and C$10bn (US$6.5bn) over the last year, and the budget to be handed down this month will feature new spending on health care and some tax reductions.

The most remarkable thing about Mr Chrétien's Liberals has been their ability to transform the relationship between Canadians and their government, while generating little or no sustained opposition.

Since coming to office in 1993, the Chrétien government, which inherited a C$42bn annual budget deficit, has cut public spending to its lowest real level since the end of the second world war. It has also increased tax revenues faster than any other industrialised country, mostly through such invisible means as permitting only partial indexation of personal taxes, which has pushed many Canadians into higher tax brackets.

While such initiatives could have been expected to draw intense opposition, they have been supported by most Canadians as the unpleasant, but necessary, remedies for years of budget deficits that had pushed Canada's accumulated debt to almost C$600bn.

The opposition parties, unable to move public opinion against the Liberals' economic programme, have been reduced to chipping away at the government over a series of minor scandals that have quickly been forgotten.

Reform, the official opposition, is currently preoccupied with convincing the Conservatives to unite into a single party to fight the next election. But the "United Alternative" initiative is likely to fail because of ideological differences between old Tory Conservatives and the more radical right Reformers.

With a floundering opposition, the rest of the Liberals' second term looks set to be easier still. The government is flush with cash and has no political promises to keep. "Nobody's going to lambaste them for not fulfilling their obligations because they don't really have any," says Alan Alexandroff of LECG, a Toronto consulting firm.

Paul Martin, finance minister, wants this year's budget to be remembered as the "health care budget". After five years of cutting annual health spending, he is set to restore C$1bn-C$2.5bn in funding, provided the provinces agree to spend the money on critical items such as reducing waiting lists for surgery.


Chrétien: joking

If the Canadian economy remains healthy in 1999, most observers expect the 2000 budget will be the "tax budget", with the Liberals finally making substantial cuts to the country's high personal income taxes.

With at least two good news budgets behind them, the Liberals would be well placed to call an election any time they chose. At this point, the outcome does not look much in doubt.

South Korea warned on complacency

By Peter Montagnon, Asia Editor, in Washington

South Korea risks becoming complacent about the degree to which it has overcome last year's economic crisis and it is still too early to declare victory in the battle to achieve a sustainable recovery, a senior International Monetary Fund official warned at the weekend.

The crucial restructuring of Korea's large corporations has only just begun, said Hubert Neiss, the IMF's Asia-Pacific Director in an interview. "Korea still has a difficult period ahead."

His remarks amount to a dash of cold water on financial market euphoria that made Seoul's stock market one of the best-performing in the world last year and led credit rating agencies to begin restoring investment grade status to its foreign debt.

But they echo the concerns of private sector economists in Seoul who have begun to worry that the improved mood may cause the government to drag its feet on the most difficult decisions in the politically sensitive area of corporate reform.

The restructuring of the corporate sector must go deeper than the initial deals between large chaebol conglomerates, Mr Neiss said. They have parcelled out specialisations in leading sectors such as cars and electronics to give each company greater focus but not yet agreed to close down the surplus capacity that has plagued the Korean economy.

These corporations are heavily indebted to banks, which, under the new financial regulatory environment, have become much more powerful in their ability to insist on stronger balance sheets. In the process of reducing their debts, the chaebol should eliminate duplication and close capacity in a process that could still take a couple of years, he said.

However, the debt work-outs will also prove costly for the banking sector, which will require yet more injections of capital, he said. Only when the process is completed will Korea be able to boast a "self-sustaining" recovery.

Unemployment in Korea, a sensitive political indicator, has stabilised at around 7 per cent, a "high but by no means catastrophic" level, he added. It should not rise further but would remain high for some time.

While Asia has made great strides towards dealing with its problems, Mr Neiss said he remained concerned that regional recovery could be derailed by a fresh crisis in Indonesia or by continued recession in Japan.

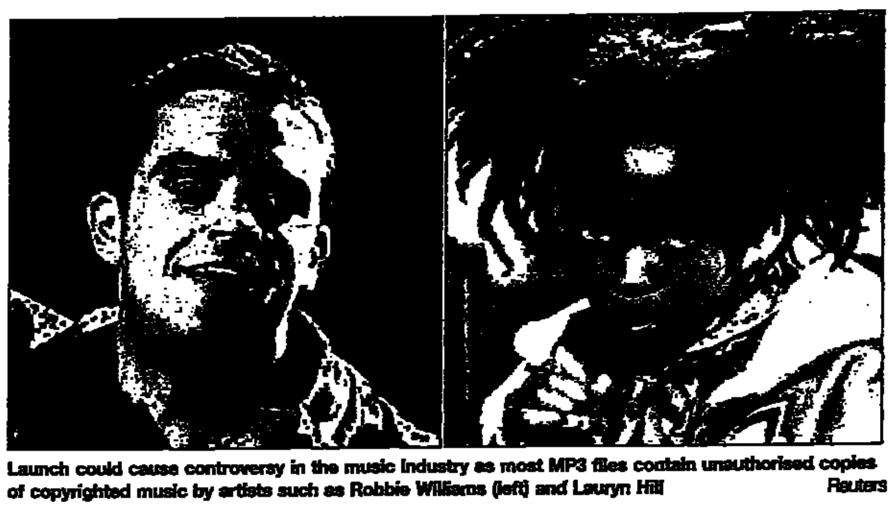
"The external position [in Indonesia] is obviously vulnerable especially in the coming [pre-election] period because we couldn't expect a large reflow of private money of the sort that is taking place in Korea," he said. "Therefore Bank Indonesia will have to continue its policy of keeping monetary policy firm."

Mr Neiss dismissed criticisms in financial markets that the country's proposed bank restructuring was too costly at a price of some 30 per cent of gross domestic product, and that it allowed for the survival of too many banks. "Bank restructuring is expensive. Everybody knows that," he said. But the immediate cost to the government was the interest on bonds issued to recapitalise the system.

One Asian country, which had come through the crisis well but received little credit, was the Philippines, he said. It was the only country in south-east Asia to show positive growth last year.

New web music search facility unveiled

By Alice Rawsthorn



Launch could cause controversy in the music industry as most MP3 files contain unauthorised copies of copyrighted music by artists such as Robbie Williams (left) and Lauryn Hill Reuters

Lycos, one of the most popular internet search engines, will today unveil plans to launch MP3 Search, a specialist search facility designed to make it easier for consumers to find MP3 files, the compressed sound files on which music is stored on the internet.

Downloading songs from the internet of MP3 files is becoming increasingly popular, particularly among teenagers, as an alternative to buying music on compact disc, or listening to it on the radio.

Once the files are downloaded on to a computer hard disk, they can be transferred on to portable players, or e-mailed to friends' computers.

Lycos says MP3 files are among the five most requested internet services. Scores of sites specialise in finding them, but MP3 Search will be linked to more than 500,000 files which, according to Lycos, is ten times more than its closest competitor.

As the last independently-owned large search engine, Lycos is keen to make its product more attractive than those of its rivals, such as AOL and Yahoo!

However, the launch could cause controversy in the music industry as the vast majority of MP3 files contain unauthorised copies of copyrighted music by established acts, such as Lauryn Hill and Robbie Williams.

These pirate files have been posted on the internet without the consent of the artist, their record company or music publisher.

Some MP3 files contain legal copies of non-copyrighted material by artists without recording contracts, mostly obscure, young musicians, or veterans who have been dropped by their record labels.

A growing number of artists established are expected to handle their own distribution over the internet in future, but so far Public Enemy, the critically-acclaimed US rap band, is the only one to do so.

At present, by far the most popular MP3 files are pirated ones containing copyrighted music by chart-topping acts.

Lycos has "no idea whether or not the files on MP3 Search contain copyrighted material, nor do we have the resources to find out," according to Brian Kalinowski, product manager.

Record companies could argue that, if MP3 Search, developed jointly with Fast & Search Transfer, a Norwegian internet services company, helps the public to access pirated versions of music on MP3 files, it will, albeit unintentionally, be fostering piracy.

Last autumn, the Recording Industry Association of America (RIAA) marshalled a similar argument when it took legal action to stop Diamond Multimedia, a US electronics company, from distributing the Rio, a portable MP3 player.

The RIAA lost that case, but has pledged to take legal action again to prevent the spread of MP3 piracy. It said it would reserve judgment on MP3 Search until Lycos makes the announcement today, and it has examined the product.

US and Europe fuel global PC demand

By Paul Taylor

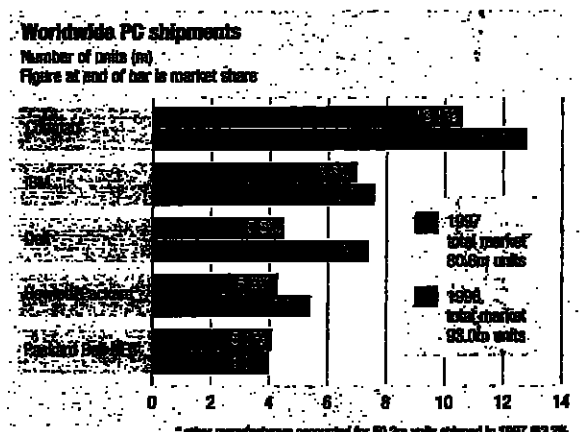
Strong growth of 15 per cent in the worldwide personal computer market in 1998 was led by demand in the US and Europe and fuelled by the internet, according to preliminary figures from Dataquest, the market research firm.

The US and European PC markets accounted for nearly 65 per cent of PC shipments in 1998.

"Affordability and growing relevance of internet content is sustaining double-digit PC growth in the US," said Bill Schaub, vice-president for Dataquest's Personal Computing and Peripherals group.

"Dataquest's latest survey suggests that as many as 37 per cent of US households are now connected to the internet."

Compaq Computer, the second largest computer group in the world after International Business Machines, continued to lead the worldwide PC industry with nearly 14 per cent market share in 1998.



IBM held on to the number two position but Dell Computer, the direct sales pioneer, continued to close the gap between itself and the two market leaders.

Dell's worldwide sales grew by 65 per cent last year.

Hewlett-Packard, focusing on margins, finished the year strongly with 25.5 per cent growth in 1998.

Dell and Gateway, which both sell PC's direct to end-users missing out resellers, posted the strongest increase in the US last year, with growth rates of 61 per cent and 38 per cent, respectively.

"Dell has now posted 13 consecutive quarters of 50 per cent-plus growth," said Mr Schaub.

Baghdad attacks move to review UN ties

By Roula Khalaf in London

US and British aircraft yesterday attacked targets in Iraq's southern and northern no-fly zones as Baghdad criticised a United Nations Security Council decision to set up three panels to review important aspects of UN-Iraqi relations.

The US military said US and British aircraft attacked an Iraqi communications station in Talil, some 270km south-east of Baghdad, and a radio relay station in Al Amarah, about 190km south-east of the capital. The attacks were provoked after an Iraqi MiG23 flew into the zone, set up to exclude Iraqi aircraft and protect the Shia population.

The US military, which has been given expanded rules of engagement, said the attack would impair Iraq's ability to send its aircraft into the no-fly zones.

The US Air Force at the Incirlik base in Turkey said yesterday that US aircraft fired a missile at a radar site north of the city of Mosul in the northern no-fly zone. In a previous incident on Saturday, US aircraft struck six Iraqi air defence sites around Mosul.

Yesterday's clashes over the no-fly zones came as Baghdad criticised the UN Security Council's weekend decision to organise three panels to assess disarmament work, the conditions of Iraqis under the eight-year UN sanctions and the accounting of missing Kuwaitis taken hostage during Iraq's 1990 invasion of its neighbour.

The UN decision was the first concrete step taken by the Security Council since last December's four-day US and British air raids on Iraq. "The work of the three panels...will take months and will mean nothing but procrastination and maintaining the unjust embargo on Iraq," said an Iraqi spokesman after a top-level meeting chaired by President Saddam Hussein.

Iraq complained that it had not been consulted on the move. "Baghdad has not been consulted on setting up these panels, therefore such a measure does not mean anything to us," the spokesman added. The Security Council has been deeply divided over Iraqi policy since the US and British bombings. While France, Russia and China want a lifting of the oil embargo, the US and UK are opposed to such a move but agree that measures must be taken to alleviate the suffering of the Iraqi people. The decision to set up three panels may do nothing to bridge these differences, but it will buy members of the Security Council some time and will clarify the effects of sanctions and the remaining work needed to be done on disarmament.

A main point of contention in Security Council discussions in recent weeks has been the fate of Unscom, the UN special commission charged with Iraqi disarmament. Iraq has said Unscom would not be allowed back into the country unless sanctions were lifted. Russia, which backs the Iraqi position that Unscom is biased, wants to see the commission abolished, while the US is pushing for it to continue playing a role in Iraq.

Laggards on Y2K to be spared

By George Graham in London

A group of the world's leading financial institutions has decided not to publish its assessment of which countries have done enough to prepare their computer systems for the year 2000.

Global 2000, which groups 250 of the world's biggest banks, insurance companies and securities companies, had initially planned to issue public ratings of each country's readiness for the millennium bomb, which threatens to jam computers which record only the last two digits of each year.

The group has been struggling to raise the alarm in countries which have not yet woken up to the complexity of the problems raised by the millennium bomb. Last month it warned that "there is no prospect of the Year 2000 problem being solved" in Russia. Many banks believed the threat of a public rating was needed to goad some countries into action.

But the group decided on Friday that publishing its own assessments could be counter-productive because it might discourage some countries from co-operating with it in disseminating information about their millennium testing plans.

Some central banks have also warned the group that a negative public rating could add to the financial instability of some emerging markets, notably in Latin America, which are already in difficulty because investors are withdrawing capital.

"What we really needed was the information. The danger of publishing ratings was that it could prejudice what we wanted to achieve, which is to get countries to get up to pace," said Tim Shepheard-Walwyn, Global 2000's chairman.

Global 2000 continues to encourage governments to provide detailed information about the readiness of critical sectors such as telecommunications, transport and utilities. It has already posted assessments of Switzerland, the Netherlands and the US on its web site (www.global2k.com).

NEWS DIGEST

CHARGES AGAINST EX-DEPUTY PM

Malaysian judge refuses to dismiss Anwar case

A Malaysian high court judge has declined to dismiss charges against Anwar Ibrahim, the sacked deputy prime minister. Judge Augustine Paul ruled that Mr Anwar must defend himself against prosecution charges that, as deputy prime minister, he abused his powers to cover up alleged sexual misdeeds.

"After having considered the evidence relevant to the charges, I find that the prosecution has made up a case against the accused," Mr Paul said.

Defence lawyers said Mr Anwar would take the stand to defend himself and they would move now to interview Mahathir Mohamad, prime minister, as a possible witness. **Sheila McNulty, Kuala Lumpur**

HONG KONG AIRPORT

Legal advice sought on action

Hong Kong's Airport Authority said yesterday that it was seeking legal advice on possible action against airport officials who have been reprimanded in inquiries into the airport's chaotic opening in July last year.

The comments followed the publication of the third of the inquiries into the airport's inauguration during which flights were delayed, luggage was misrouted and airport toilets ran out of water.

The most recent report was released at the weekend by Hong Kong's ombudsman, Andrew So, who broadly sounded the same themes as the earlier reports, blaming poor communication between the Airport Authority's senior management and the government. Hong Kong's main air cargo operator, Hong Kong Air Cargo Terminals Limited, was also criticised for being over-confident about its ability to start on the opening date of July 6. The airport authority yesterday said it would set up a working group to consider the findings. **Rahul Jacob, Hong Kong**

US TIES WITH INDIA

Hopes for 'new relationship'

Senior Indian and US officials yesterday spoke positively of "laying the foundation for a new relationship" after an eighth round of bilateral talks, initially prompted by US concern over India's nuclear tests in May. But while both Strobe Talbott, US deputy secretary of state, and Jaswant Singh, India's foreign minister, expressed "satisfaction" over the three-day talks in a joint statement, no specific steps were announced on nuclear non-proliferation issues,including the US desire to see India eventually accede to the Comprehensive Test Ban Treaty (CTBT).

Instead, and underlining an increasingly positive spirit to the talks, the two sides stressed that expert teams would meet again in March, with top-level talks resuming later this year.

After the discussions, which embrace the CTBT, Indian nuclear export controls, fissile material production and India's post-nuclear "defence posture", both sides noted they had spilled into an unscheduled third day – "the length of time devoted to these talks is unprecedented in US-Indian relations". **Mark Nicholson, New Delhi**

PRIVATE ENTERPRISE IN CHINA

Move to improve standing

China is set to elevate the official standing of private enterprise and the "rule of law" at an annual parliament session in March, raising the possibility of more favourable treatment for a private sector that is dynamic and yet still hampered by government ambivalence.

The central committee of the Communist party has drafted amendments to the constitution which say that the private and non-state sectors are an "important component" of the socialist economy under state ownership, the official Xinhua news agency said. The current constitution describes private enterprise as merely "complementing" the socialist economy under state ownership.

Subtle semantic shifts have often presaged great changes. The amendment, which is expected to be adopted by the National People's Congress, may help to redress the preference accorded to the ailing and inefficient state sector. **James Kynge, Beijing**

PAKISTAN'S PARIS CLUB LOAN

$3.3bn debt to be rescheduled

The Paris Club of official creditors has agreed to reschedule about $3.3bn of Pakistan's foreign debt, giving it a breathing space to reform its battered economy, senior government officials said at the weekend. Ishaq Dar, the finance minister, led a delegation to Paris last week for formal discussions with western creditors. The Associated Press of Pakistan (APP), the official news agency, quoted Mr Dar saying that the Paris Club had renegotiated payments on "the most concessional terms ever given to a country".

Finance ministry officials said that the rescheduled debt was in addition to new loans of about $4bn committed by western donors to Pakistan. They said the Paris Club had given an 18-20 year rescheduling period on repayments of various loans owed by the country, which includes a grace period of more than four years.

● Nawaz Sharif, the Pakistani prime minister, ordered at the weekend creation of military courts across the country to combat lawlessness. **Farhan Bokhari, Islamabad**

INTERNATIONAL FINANCIAL SYSTEM

Differences emerge over reform

WORLD ECONOMIC FORUM

By Robert Chote, Economics Editor, in Davos

Global efforts to reform the architecture of the international financial system are being hampered by differences of opinion about both the broad approach and the details of specific proposals, senior policymakers indicated at the World Economic Forum.

Finance ministers from the Group of Seven leading industrial nations meet in Bonn in three weeks, conscious that they need to demonstrate significant progress since they outlined their reform agenda in October. The collapse of Brazil's exchange rate peg last month has made a convincing response to the emerging market financial crises all the more urgent.

Robert Rubin, US Treasury secretary, told the annual gathering of policymakers and business leaders in Switzerland on Saturday that plenty of thought had gone into reform, but there were no magic wands or easy answers. "Widely discussed reforms that sound attractive on the surface, on full examination often raise serious questions to which there are currently no good answers," he warned.

Mr Rubin was particularly scathing about the use of early warning systems to put pressure on countries that showed signs of getting into trouble: "Nothing in my 26 years on Wall Street or my six years in government suggests that there is any predictive capability even remotely reliable enough for such a system." He added that an early warning could trigger the very crisis it was supposed to prevent.

He was also wary of forcing countries to "pre-qualify" for assistance in crises by meeting preset policy standards. He said the idea should be investigated, but "there are a number of difficult questions that must first be answered," including the identification of sensible policy requirements.

Gordon Brown, the UK chancellor, repeated his call for a standing committee on global financial regulation, which would comprise international and national supervisors. Hans Tietmeyer, the Bundesbank president, is completing a report on this proposal for the Bonn G7 meeting, but officials said he was likely to dissent from the Brown blueprint by playing down the role of national regulators.

Most international regulatory bodies have indicated they would participate in such a committee, but Mr Tietmeyer is expected to recommend that national regulators should take part by invitation rather than by right. In part, this reflects the fact that some countries, notably the US, have no lead regulator. The US, meanwhile, is said to favour an informal taskforce instead of a formal committee.

Mr Rubin also argued that hedge funds should not be demonised for their role in the recent financial crises, arguing that domestic capital flight was often a more important factor. He argued that the role of hedge funds should be addressed "as part of a broader review of financial institutions with respect to leverage, the appropriate scope of prudential regulation, risk management and disclosure".

Other areas of controversy included the role of capital controls.

Mr Rubin also again rejected calls by Germany and Japan to consider co-ordination of exchange rates among the leading economies, perhaps through target zones. "The floating exchange rate system is the worst possible system, except for all the others," he said.

In addition, he warned that the co-existence of the large US current account deficit with big surpluses in Europe and Japan could not be sustained indefinitely.

Editorial Comment, Page 13

US puts emphasis on liberalising markets

By Guy De Jonquières in Davos

Until recently, the global economic crisis threatened to breed rancour between the US and its main trade partners, as Washington castigated them for failing to absorb more imports while sending disconcerting signals about its commitment to resist protectionism at home.

But in Davos, the US team headed by Al Gore, vice-president, has delivered a far more positive and outgoing message. Its essence is that the US is determined both to keep its own market open and to promote global recovery by leading a drive to liberalise world trade.

True, frictions persist. US officials are still deeply dissatisfied with Japan's – and to a lesser extent Europe's – efforts to boost growth, and complain that the US cannot be the "world market of only resort". They also continue to wrangle with the European Union over its banana regime.

But in Davos, they softened their tone in public, while seeking to dispel concerns that the US might be overwhelmed by its role as the main engine of global growth and forced to turn inward.

At every opportunity, they emphasised their determination to remain internationally engaged.

Indeed, Charlene Barshefsky, US trade representative, insisted Washington wanted to go further. As well as pledging firmly to resist protectionism at home, she promised to submit the much criticised unilateral use of US trade sanction laws to the restraint of World Trade Organisation rules. She backed this up with the warmest endorsement of the multilateral trade system by any senior US trade official for years, lavishing praise on its contribution to global prosperity and stability.

That may not entirely quell other countries' concerns about her recent reinstatement of "Super-301" powers to monitor their trade practices. But she strongly implied that the purpose was less to frighten foreigners than to pacify US industries exercised about cheap import competition.

Furthermore, she warned them not to expect US action against "unfair" trade practices always to bring relief, when keener competition often resulted from unavoidable currency devaluations in emerging economies.

Ms Barshefsky said that the Clinton administration was fully prepared for a further sharp deterioration in the US trade deficit this year. But she said that the worsening imbalance so far was due more to a fall in exports than to a rise in imports, which were growing more slowly than a year ago. She also emphasised that differences with the EU over bananas should not frustrate efforts to strengthen transatlantic co-operation, particularly over a new trade round.

But how far does the change in US attitudes go beyond rhetoric? Part of the answer may lie in how effectively Mr Clinton fights for renewed "fast-track" trade negotiating authority.

The impact of impeachment proceedings on Mr Clinton's political authority has made harder the task of forging a workable consensus on fast-track among Democrats and Republicans in Congress. Few observers rate highly the chances of success.

Other governments have long viewed fast track as an important symbol of US commitment to multilateralism, as much as a practical negotiating tool. By talking up that commitment now, Mr Clinton's advisers may calculate that they are ensuring against the risk that continued failure to win fast-track would create doubts about US trade policy intentions.

Temporary reprieve won in bananas dispute

By Frances Williams in Geneva

European exporters of greetings cards, cashmere sweaters, plastic handbags and other goods targeted by the US for punitive duties today over the European Union's banana import regime have won a temporary reprieve until mid-March.

Under the terms of a makeshift compromise thrashed out at the World Trade Organisation in Geneva late on Friday night, Brussels asked the WTO to arbitrate on a US request for authorisation of $520m in trade sanctions on EU goods.

The move postpones the threat of retaliation until the arbitrator has reported, giving the two sides more time to settle their differences bilaterally.

Bitter divisions over how to proceed in the dispute had paralysed the work of the WTO for over a week, and called into question the authority of the world trade body to settle disputes on the basis of internationally-accepted rules.

Brussels will now begin formal talks with Washington on the EU's arrangements for importing bananas, which favour African, Caribbean and Pacific countries. The US argues that the EU has not done enough to modify its regime to comply with earlier WTO rulings, which found unfair discrimination against Latin American bananas and their US distributors. However, EU officials have made clear they will not implement changes unless a WTO panel rules against the amended regime, which came into force on January 1. The panel is due to complete its work by April 12.

Last week's row at the WTO centred on whether the US could request WTO authorisation for sanctions without a panel decision. WTO rules in this area are unclear and have never before been tested.

US officials insisted on Friday that the arbitrator, in practice the same panel that is reviewing the banana import system, must make a decision on the amount of sanctions by midnight on March 1, following which the US needs at least 10 days to put authorisation back on the WTO agenda. It cannot then be refused.

The EU says the panel will not be in a position to make an arbitration ruling until it has decided whether the banana regime is illegal.

Americans show up in full force

The Americans are taking Davos seriously this year. Heavy snow on the first couple of days grounded the executive choppers but an impressive number of chief executives of Fortune 500 companies have made the annual pilgrimage.

However, the relative proportion of Fortune 500 CEOs was dwarfed by the US government contingent. Al Gore, the US vice-president, brought four US cabinet members, plus the State Department's Stuart Eizenstat and US Treasury's Larry Summers. Hard to know who has been left in Washington to run the ship of state.

The heavy turnout is part of the US strategy of proving that it is fully engaged in solving the world's problems and show the Europeans that it remains a very active partner. However, within the US delegation there were signs of occasional tensions. Al Gore's comment about the US being the "importer of last resort" caught the headlines. But the pugnacious Larry Summers insists he coined the term first. Robert Rubin, the US Treasury secretary and ex-Goldman Sachs hot-shot, won high marks for his comments on the world's financial crisis.

One CEO was heard to comment: "Gee, if only that guy was Japan's finance minister."

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When was the last time that a British chancellor of the exchequer turned up at Davos? This year, not only did Gordon Brown put in an appearance but so did his predecessor, Ken Clarke. But guess which one attended Klaus Schwab's annual exotic banquet on Saturday night? Not Brown, who headed home but not before commanding a flunky to collect copies of every speech given, so that he had something interesting to read.

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Of all those in the UK contingent, Howard Davies, chairman of the UK's Financial Services Authority, seems to be most at ease in this global talking shop. He is the conference's rapporteur along with Senator John Kerry from Massachusetts. But it has not dented Davies' sense of humour. Chairing a session on managing financial crises, he called on Frank Newman, boss of Bankers Trust, currently being acquired by Deutsche Bank. Davies introduced Newman in German with the passing quip: "You are going to have to get used to this, Frank."

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David Hale, Zurich Insurance's fast talking chief economist, likes the look of the Basle-based Bank for International Settlements, the central bankers' central bank that has its own gold bars. It is listed on the Swiss exchange and its shares sell at half book value and yield close to 4 per cent. If there is a rally in the gold price, they could double or triple, says Hale. Meanwhile, Princeton's Professor Alan Blinder's advice on stock market bubbles is that "if anything becomes more expensive than California, sell it". Talking of internet stocks, the most popular Davos recommendation for Brazil's financial woes was to rename the Brazilian currency – Real.com

William Hall

Tax loophole closed after BP and Amoco deal

By Jim Kelly, Accountancy Correspondent

British Petroleum and Amoco of the US escaped paying more than $800m (in duty on their recent merger thanks to a loophole in the UK tax laws belatedly closed by the government at the weekend to stop a rush of similar deals.

Patricia Hewitt, economic secretary to the Treasury, changed the law from midnight on Friday – promising legislation in the forthcoming Budget – to protect projected 1998-99 revenues of £2.4bn ($3.96bn) accrued from stamp duty reserve tax.

It looks likely that two other cross-border deals – the merger of Astra and Zeneca and the purchase of AirTouch Communications of the US by Vodafone, the UK mobile phone company – have also beaten the change in the law, with the result that the government will lose more than $2bn.

The loophole allows companies to avoid stamp duty reserve tax – levied at 1.5 per cent – on bearer shares denominated in a foreign currency and held in a depositary or clearance system.

The exemption has existed since 1969, but was not designed for such transactions. Inland Revenue officials said it had recently been used in a high-profile deal and this had resulted in it becoming popular.

The Revenue said the City had expected the loophole to be blocked in next month's Budget and action had been taken sooner "to provide certainty".

BP and Amoco's £30.3bn merger used the tax planning techniques targeted by the Revenue in its statement on Friday. The change in the law cannot be retrospective so their $800m saving is safe.

Senior executives involved in the $35bn merger of Zeneca and Astra, the UK and Swedish pharmaceuticals groups, said that, although their deal was not complete, a concession in the Revenue statement appeared to allow them to go ahead as planned as they were well advanced.

"Our understanding is that this will not affect our merger," said a spokesman. "If things change, the company will bear the liability, not the shareholders." It is understood the tax involved is up to $500m.

Senior executives at Vodafone, the UK-based mobile phone group in a deal to purchase AirTouch for $62bn, are understood to be confident that they have also beaten the change in the law. It is understood $800m in tax would have been due.

"It looks like they got under the wire. This is money which they can use in developing the business," said one executive close to the Vodafone deal.

The success of the companies in avoiding tax may strengthen support for measures proposed by Gordon Brown, chancellor of the Exchequer, to enact a "catch-all" anti-avoidance law allowing such schemes to be stopped more quickly.

The Revenue's move may also prompt calls for the abolition of the tax entirely as it is not levied by the US or several European countries. "This will make it more difficult to do deals like this," said one executive involved.

YEAR 2000 FESTIVITIES WILL LIFT OUTPUT

Millennium boost forecast for economy

By Christopher Adams and Alan Beattie in London

A mix of unprecedented new year festivity and feverish efforts by business to solve the millennium computer bomb will give the faltering UK economy an unexpected boost this year.

But the lift is likely to be short-lived and may leave a throbbing hangover.

Lavish spending on millennium parties, winter holidays and government-backed projects is likely to help lift economic output in 1999, according to the National Institute of Economic and Social Research. Household consumption could increase sharply in the fourth quarter, giving retailers and the consumer services industry a a welcome boost.

The institute said that overall, the effect could be big enough to add a quarter of a percentage point to real gross domestic product for the year as a whole – equivalent to about £2bn ($3.30bn) in money terms.

Consensus forecasts suggest the economy is set to achieve 0.6 per cent growth this year, a sharp slowdown from 1998. But evidence is growing that the millennium could distort spending and investment patterns. Estate agents have reported increased activity in the lettings market for the year end. Consumers are expected to spend less on holidays in the summer, preferring to save up for New Year's eve. Brewers and champagne producers will also benefit. There was a similar, if more muted, effect from last year's World Cup soccer competition, which prompted a switch towards buying new televisions.

Efforts by companies to defuse the millennium computer bomb, which stems from the inability of some programs to move on to 2000, is also expected to lift output. Estimates of how much will be spent to solve the problem range from £25bn to £60bn and investment will be spread over several years.

The Office for National Statistics suggests part of a surge in imported electronic goods apparent in the latest official trade data may be due to spending on defusing the 2000 bomb.

The effect of the bomb itself, when it strikes, is extremely difficult to predict. But the economic impact could be both bigger and more unwelcome after the turn of the century.

Holiday romance: the rampant ruddy duck engages in amorous activity every year in Spain

Lust-crazed duck comes under fire

By George Parker in London

The government will today declare war on the lust-crazed ruddy duck, which is wreaking ecological havoc across Europe from its base in Britain.

Michael Meacher, environment minister, will issue orders to marksmen to start hunting down the fowl, which emits a distinctive belch rather than the traditional quack.

Its anti-social behaviour does not stop there. Like some of its British human counterparts, the ruddy duck heads off to Spain once a year to engage in an unwelcome orgy of sex and destruction.

No sooner has it arrived than the rampant bird engages in amorous activity with the endangered white-headed duck, which finds its British counterpart unaccountably attractive.

The offspring of this ornithological holiday romance is a fertile hybrid. Numbers of pure white-headed ducks in Spain are once again under threat. To make matters worse, the ruddy duck is becoming more exotic in its travel tastes and now visits 13 countries. Ministers fear it will soon cause mayhem in key breeding sites in Turkey if no action is taken.

Continental European countries have been pressing Britain to act for several years.

BUDGET SUBMISSION COMPANIES CALL FOR £1bn FISCAL PACKAGE TO HELP ENTREPRENEURS

Minister urged to cut capital gains tax

By Christopher Adams and Richard Adams

British business is to urge Gordon Brown, the chancellor, to overhaul the capital gains tax system as part of a £1bn ($1.65bn) fiscal package to help entrepreneurs.

The British Chambers of Commerce told Mr Brown in its Budget submission, published today, to cut the capital gains tax rate for individuals from 40 to 20 per cent.

It says the government could do more to help small companies. A lower CGT rate, it argues, would encourage wealthy "business angels" to invest in smaller enterprises by making it less attractive to avoid tax by diverting funds offshore.

The BCC, representing more than 100,000 companies, is also concerned the new taper for capital gains – under which assets held for 10 years are taxed at an effective rate of 24 per cent – is complex and too long.

Instead, it says, no CGT should be charged on business investments after five years. Investors should be able to shift holdings into other companies and still qualify for the taper.

The BCC says the tax yields about £1.4bn in annual revenue for the government, and says the proposals would not be costly.

Taken together with its other recommendations, the government would lose £1bn. The BCC submission also urges a 100 per cent tax break for the first £250,000 of annual capital spending by small companies..

The BCC's proposals come as many small and medium manufacturing companies are planning to reduce investment in plant and machinery and to continue cutting jobs, according to a new CBI survey.

But there was also a "glimmer of hope", the CBI said. Its survey of 770 manufacturers with 500 employees or less found the recent drop in activity might be about to ease. Companies have become less gloomy about their prospects.

The CBI repeated its call for a further interest rate cut the Bank of England holds its monthly monetary policy committee meeting on Wednesday and Thursday.

MEP to quit after find by Customs

By George Parker, Political Correspondent

Tom Spencer, a member of the European parliament for the opposition Conservative party, who was caught with drugs and gay pornography at Heathrow airport near London, yesterday announced he would not seek re-election in June.

Mr Spencer faced questions from the new Conservative ethics committee later this week, and would almost certainly have been barred from standing in any case.

The MEP yesterday toured broadcast studios in an attempt to explain his "sheer stupidity" and to try to save his political career.

But senior Conservatives made it plain they did not look kindly on an MEP who had brought further problems to the party at the end of a particularly fraught week.

Mr Spencer, who says he is gay, was fined £500 ($825) in an out-of-court settlement by the Department of Customs & Excise when he was found with pornographic magazines, a video and two cannabis cigarettes.

He denied being a cannabis user, explaining in a BBC interview: "I'd accepted some in Amsterdam in a social situation and forgot about it. I'm not claiming to have been wise – I have been extremely stupid and thoughtless in coming home and not throwing the stuff away."

Party officials said they wanted to draw a line under the affair at the earliest opportunity, and said Mr Spencer's case would be referred to the ethics committee.

However, few believed Mr Spencer could survive as a candidate in a party that – in spite of attempts by William Hague, its leader, to make it more tolerant – still takes a dim view of drugs and pornography.

Mr Spencer will remain an MEP until the June elections and remain as a member of the party afterwards.

INSIDE TRACK

PROFILE RUDI BOGNI, CHIEF EXECUTIVE UBS PRIVATE BANKING

Private banker with unorthodox ambitions

UBS is counting on one division to earn half its profits by 2002. **William Hall** talks to the man in charge, with $10bn to spend on acquisitions

Rudi Bogni, the Italian-born boss of UBS Private Banking, feels on top of the world. He is in charge of the jewel in the UBS crown. He has just been promised $10bn for acquisitions. And following a big corporate review announced at UBS last week, private banking is set to grow in importance at the expense of the riskier investment banking side of the business. Investors were left with no doubt that Mr Bogni is the second most powerful banker at UBS after Marcel Ospel, the chief executive.

UBS's enthusiasm for private banking is understandable. It is twice as big as Credit Suisse, its nearest Swiss competitor, and Switzerland is by far the biggest centre for offshore private banking, which handles the financial requirements of wealthy individuals who typically have more than SFr1m ($430,000) to invest.

Private banking profits are far less volatile than those in investment banking, and because the fees charged for managing private portfolio accounts are so much higher, the margins in private banking can be seven times greater than in institutional asset management, where big volumes command lower fees.

Indeed, some analysts have questioned whether UBS ought not to jettison the rest of its businesses to concentrate on private banking, where it is the undisputed world leader.

Last year's third-quarter loss and the resignation of four top executives including Mathis Cabiallavetta, UBS chairman, under-scored serious weaknesses in the bank's risk management procedures. The strategic review announced last week said UBS would concentrate on "high-quality asset-gathering businesses in Europe".

The bank has cut by a third its profit targets for investment banking and institutional fund management, the only two other areas where it has global ambitions, and it plans an "aggressive expansion of domestic private banking in European core markets".

UBS insists the changes are only "fine-tuning". The figures tell a different story. The bank has earmarked SFr500m for investment banking acquisitions, compared with SFr5bn to SFr7bn for acquisitions in Mr Bogni's private banking empire.

UBS is counting on its private banking division to earn half the group's profits by 2002. It wants to add another SFr550bn to the SFr700bn of private bank assets it has under management during the next four years.

The challenges facing Mr Bogni should not be underestimated. For a start, his background is in investment banking, rather than in private banking, a more recent career move. Second, he believes in economies of scale in private banking; an unorthodox view in a niche that has traditionally thrived on personal relationships between the banker and his clients. In addition, UBS's strength is in offshore banking – investing for non-residents – rather than onshore private banking, which is bigger and growing more rapidly than offshore business.

Finally, Switzerland's advantages as a banking safe-haven for wealthy customers – a key reason why it retains a one third share of the offshore private banking market – are on the wane. Low inflation, a strong currency, and political stability are no longer unique to Switzerland.

Mr Bogni says he will create new investment products to woo wealthy customers

Many US and European tax authorities regard Switzerland's offshore private banking industry with suspicion. The reputation of Citibank, one of UBS's biggest competitors, has been tarnished by allegations of money laundering for Raúl Salinas, the jailed elder brother of Mexico's former president Carlos Salinas.

One of Mr Bogni's responsibilities will be to safeguard UBS's reputation by careful selection of clients; an imperative that fits ill with his ambition to expand the business rapidly.

Mr Bogni believes that increasing the scale of his private banking operation, in an industry where niche operators have traditionally excelled, is not a disadvantage. Quite the opposite. He forsees consolidation. "If you look at the top five names in global investment banking, the same is going to happen in private banking," Mr Bogni says.

"The personal matters of our clients are increasingly complex and size allows us to deliver services in a much more cost effective manner. The danger is that size might spawn a bureaucracy. But I believe that with an organisation of 8,500 people, we have no more bureaucracy than management consulting partnerships like McKinsey, or Bain & Co. If they can run efficient organisations, I see no reason why we cannot do the same."

That is not a view shared by UBS's smaller competitors.

Thomas Baer, chairman of Zurich's Julius Baer, does not accept that the pace of consolidation in investment banking will be replicated in private banking.

"Big is not necessarily beautiful," he says. "Our biggest danger is that we are too successful and forced to grow too quickly. Thereby we lose the personal touch."

Mr Bogni does not deny there is a role for private banks like Julius Baer, but he believes that asset-gathering giants like UBS will have a competitive edge, particularly in Europe where total assets under management are forecast to increase from $8,000bn to $38,000bn in the next decade.

He is looking forward to increased competition in areas such as internet broking services for wealthy clients. "It should affect our competitors, particularly our US competitors, dramatically. Those that come from the brokerage side are trying to back themselves into private banking. But they still live off commissions and rely on commission-based salesmen. The sooner they feel the pressure from internet broking the less money they will have to invest in expanding their private banking franchise."

Nevertheless, Mr Bogni is under pressure to prove that he can come up with a winning strategy for cracking the US market. Credit Suisse has already withdrawn because it lacked critical mass, but UBS is committed to expanding its US operation.

The US is home to UBS's most serious long-term competitors: the private client operations of big US investment banks. This is why Warburg Dillon Read, taken over when UBS merged with Swiss Bank Corporation last year, is so important to UBS Private Banking. Mr Bogni says he will create new investment products to woo wealthy customers away from Merrill Lynch, Goldman Sachs, and Morgan Stanley. He will also tap into UBS Brinson, the group's institutional asset management operation, for the best investment advice.

"We believe in our ability to manage this business better than others, so we are looking out for acquisitions," says Mr Bogni. It will have to be a very sizeable acquisition to make a dent in the imbalance between UBS's onshore and offshore businesses.

In theory UBS could have a stand-alone private bank with two or three preferential investment bank relationships, says Mr Bogni. But it would probably have to rely on US investment banks for products.

Whether Mr Bogni can expand the business successfully will in the end depend on his ability to understand the peculiarities of private banking – a culture built on discretion, personalised service and long-term relationships and which differs considerably from the ethos at results-oriented investment banks.

"You have to be born a private banker really to be able to do it successfully," Mr Baer says. Mr Bogni disagrees. He is out to prove he can do things his way.

Essential guide to Rudi Bogni

Facts of life: born October 2, 1947.
Educated: Milan's Bocconi University, doctor of economics and business administration.
Career: mostly upwards with a few sideways moves. Chase Manhattan (1972-80), Italy, Greece, Germany, New York. Midland Bank, 1980-90; one of several ex-Chase bankers brought in to shake up what used to be the UK's biggest bank – posts included head of international division and group treasurer. Quit after it became obvious Midland was going to be taken over by HSBC. Joined Swiss Bank Corporation (SBC) in 1990 as head of London operation.
Mid-life crisis? Two-and-a-half years ago career at SBC, smallest of the big three Swiss banks, appeared to have hit the buffers. He took a 15-month sabbatical at London's Imperial College to swot up on financial options theory so that he could understand what his traders were doing with the bank's money on his return.
Lucky streak: decision not to return to investment banking was a wise move given the way UBS has since clipped Warburg Dillon Read's wings. In July 1997 took charge of SBC's private banking business, not normally regarded as a fast track to the top. Six months later SBC announced merger with much bigger UBS, and Bogni named head of private banking which doubled in size.
Favourite food: italian – "it's light and healthy". Runners up: traditional Turkish, French and Chinese cooking. Very fond of Japanese cuisine – "I like things raw."
Favourite holiday destination: "Any country that offers sunshine, olive oil, good bread and wine."
Favourite dream: taking over Charles Schwab, the US electronic discount broker. Given that Schwab's market capitalisation of $27bn is now bigger than that of Merrill Lynch, there is more chance of Schwab taking over UBS over the long run. But things could change, and Bogni has been promised $10bn for acquisitions.

TECHNOLOGY ELECTRONIC NAVIGATION SYSTEMS

Devices to help put you on the map

Getting lost may soon be a thing of the past thanks to a range of car navigation systems, writes **Geof Wheelwright**

You are lost in Tokyo, one of the largest cities in the world – and one that presents vast navigational challenges for the uninitiated.

You do not want to offend your Japanese customers by being late for an urgent business meeting with them, but neither do you want to abandon your rental car. As you drive around looking for a familiar landmark, you realise that what you need is an electronic navigation system.

On sale in Japan, such devices are becoming increasingly popular as mobile digital navigation based on GPS (Global Positioning System) technology begins to take off.

In Tokyo, you can see a bewildering range of such devices from leading consumer electronics manufacturers such as Alpine, Casio, Panasonic, Pioneer, Sharp and Sony.

Most of these store the mapping information on CD-Rom or in flash memory, but one of the latest is a family of navigation products from Pioneer that harnesses the much higher storage capacity of Digital Versatile Disc (DVD) technology.

The Pioneer DVD Car Navigation System combines DVD-Rom storage with colour LCD map displays and GPS navigation technology. These systems are designed to ensure not only that you know where you are at any given moment – but also how that relates to reaching your destination.

Pioneer introduced a DVD Car Navigation System in June 1997, but that was based on using only a single-sided, single layer of a DVD disc – which limited the detailed road maps, sightseeing information and background data that could be stored on it. The latest devices use single-sided, dual-layer disc technology to yield 8.5Gb of storage – which exceeds the hard disc capacity on most new PCs for home use.

These systems marry DVD and GPS by having the GPS system use satellite communications to determine where you are and then using map data from the DVD drive to display that information on a built-in colour LCD display. The onboard computing power controlling the DVD drive may be used to retrieve and display live traffic information and do some route planning.

Slow going: the systems can help in route-planning AP

You do not even have to take your hands off the wheel to do this since Pioneer offers a voice recognition option that lets you give instructions to the navigation system.

Pioneer offers an option on some models to use an FM multi-channel tuner, VICS (Vehicle Information Communication System) and DGPS (Differential Global Positioning System) signals for quicker and more accurate positioning information.

Prices range from Y200,000 (£1,100) to Y300,000, depending on which model you take with which options. But Pioneer expects significant sales and announced initial production runs of about 10,000 units per month for all models combined.

Similarly, Matsushita, (which trades as Panasonic) recently announced that it too had launched a DVD car navigation system with built-in DVD-Rom. The system also claims compatibility with existing DVD-Rom and CD-Rom disks and costs Y200,000. Initial monthly production is also 10,000 units.

Using the DVD-Rom system, Matsushita says it can store the entire "25m/50m scale all-Japan 630-city detailed map" on a single disc, and achieve high-speed search and access 40 per cent faster than conventional systems. The DVD map software is also apparently able to search for addresses by phone number, as well as by Japanese alphabetical entry.

PUBLIC NOTICES

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The Secretary of State hereby gives notice as follows.

1. He proposes to grant licences under the Telecommunications Act 1984 ("the Act") to IFC Global (UK) Ltd, ICO Global Communications, PLDncompass Limited, Tele2 Commmunications Services Limited, Carrier One Limited, Telia UK Ltd, Swisscom (UK) Limited and USA Global Link (UK) Limited ("the Licensees") to run telecommunications systems in the United Kingdom. The licences to be granted to IFC Global (UK) Ltd, ICO Global Communications, PLDncompass Limited, Tele2 Communications Services Limited, Carrier One Limited, Swisscom (UK) Limited and USA Global Link (UK) Limited will each be for a period of six months, thereafter being subject to revocation on one months notice. The Licence to be granted to Telia UK Ltd will be for a period of 25 years subject to earlier revocation in specified circumstances.
2. The principal effect of each of the licences to be granted to IFC Global (UK) Ltd, ICO Global Communications, PLDncompass Limited, Tele2 Communications Services Limited, Carrier One Limited, Swisscom (UK) Limited and USA Global Link (UK) Limited will be to enable each of those Licensees to install and run telecommunication systems in the United Kingdom which may be connected to telecommunication systems outside the United Kingdom and to provide a wide range of services but not any domestic services (i.e. services involving the conveyance of messages which originate and are subsequently to terminate in the United Kingdom) or mobile radio services. Each licence authorises connection to a wide range of other systems, including earth orbiting apparatus.
3. The principal effect of the Licence to be granted to Telia UK Ltd will be to enable Telia UK Ltd to install and run telecommunications systems throughout the United Kingdom and provide a wide range of services but excluding mobile radio services and certain international services. This licence authorises connection to a wide range of other systems, including earth orbiting apparatus, allowing the provision of some types of international service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, Telia UK Ltd may be obliged to make available those telecommunication services to all who reasonably request them within that area.
4. Each licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under each licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensees systems as a public telecommunication system.
5. The Secretary of State proposes to grant each licence in response to an application from each licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services and will maintain and promote effective competition between those engaged in the provision of telecommunications services.
6. He proposes to apply the telecommunications code ("the Code") to Telia UK Ltd subject to certain exceptions and conditions throughout the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that Telia UK Ltd will have duties:
   (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above ground apparatus as is already installed for any purpose;
   (b) to comply with conditions designed to ensure efficiency and economy on its part, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;
   (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
   (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in its licence to its powers under the Code; and
   (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
7. The reason why the Secretary of State proposes to apply the Code to Telia UK Ltd is that Telia UK Ltd will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under its proposed licence.
8. The reasons why it is proposed that the Code as applied should have effect subject to exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible and that Telia UK Ltd can meet (and relevant persons can enforce) liabilities arising from the execution of works.
9. Representations or objections may be made in respect of the proposed licences, the application of the Code to Telia UK Ltd and the proposed exceptions and conditions referred to above. They should be made in writing by 2 March 1999 and addressed to the undersigned at the Department of Trade and Industry. Communications and Information Industries Directorate, 2.80 Grey, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licences can be freely obtained by writing to the Department or calling 0171 215 1756.

Alan Proud
Department of Trade and Industry
1st February 1999

LUCY KELLAWAY

Hello dear readers!

Greet your chair, chat to your window – and if you want to go really feel crazy, why not give your colleagues a massage

Good morning kettle! Hello keys! How good of you to be just where I can find you. This morning I have been greeting objects around the house following a tip-off from a friend who works for one of the world's most successful organisations.

The company has just sent him on a training course called Breakthrough Mind, Breakthrough Body, and he has told me all about how marvellous he feels.

Together with 50 of his colleagues, from vice-presidents to secretaries, he spent a day in a tracksuit loosening up – shedding that stress until his mind was ready for breakthrough results. For a start he trotted around the room saying hello to windows and chairs. Then he had to greet his colleagues as if they were long-lost friends he had not seen for 10 years. Finally – and this is the really gruesome bit – he had to pair up with a colleague and give and receive a massage.

That very day I had been reading about how the staff at St Luke's, the ultra-trendy advertising agency, love to massage each other. But the idea that it was spreading to blue chip companies is sad news. What is going on? Last week I wrote about the "human moment", which is a fancy phrase to describe the need for workers to meet occasionally. But this is worse by far, suggesting that we have lost any idea of how to relate to our colleagues in a normal way. I like my colleagues. I work well with them. But massage? No thank you.

***

I try never to think about stress, and never go on stress courses, because by far the most stressful thing in life is worrying about how stressed you are. Just as insomniacs must never fret about how little sleep they are getting, so it is a bad idea for people who are under any sort of pressure to start consciously thinking about that pressure. The stress management industry, instead of making matters better, tends to make it much worse.

But now I see that our obsession with stress has reached new heights. I was lying in the bath the other day, idly reading the packaging of some expensive new shampoo I had just bought. And to my alarm I read on the bottle that it is not just busy people who suffer from stress, but their busy hair does, too.

According to Nicky Clarke's Hairomatherapy shampoo, hair – especially that of celebrities – gets stressed out, and this shampoo helps it recover. Hair is dead, and I had thought therefore it was beyond stress. How wrong. I discover my hair reacts as badly to stress treatments as I do. One wash with this fancy shampoo and it is looking just as I would look if I had to give a massage to a colleague: distressed.

***

The middle manager is back in fashion. If you are a middle manager, this may be news to you. But according to a report from PwC, the world's largest professional services organisation, the middle manager has never been more important. At least, I *think* that is what the report says.

The consultancy has studied the middle managers of five countries and concluded that they are "increasingly the linchpin of strategic and competitive competence". Even more mysteriously, they are "stabilisers who make real change possible and the source of real-time strategies". Some middle managers, especially in the UK (where I suspect we moan more than other people), feel undervalued; the solution, suggests PwC, is to "enrich the role mix".

But then as I looked to the back of the report it all became clear. It is written by two consultants, one of whom is described as "a member of the Global Leadership Team in the capacity of Development for the Strategic Change area". The co-author has an equally impressive title. He is "Global Leader of the PricewaterhouseCoopers Full Value Procurement priority service team".

If a company cannot manage to offer a clear description of what its own people do, it is not at all surprising that it makes such a meal out of describing the jobs of others.

***

In the same post I got a booklet from another consultancy, Bridgewater. This publication goes to the other extreme in offering simplistic, formulaic solutions based on the sound bites from 20 esteemed business leaders. Yet out of these sound bites some interesting contradictions emerge. The leaders all pay lip-service to the fashionable view that it is essential for them to be surrounded by people who will contradict them. Dan Wagner, chief executive of Dialog, puts it: "You need people to challenge you by saying: 'That's not the right way to do this...'"

But on the next page the truth of the matter comes out rather more strongly. Those who do not agree with the strategy need to be fired. "It's important to deal with what I call 'blockers' – people who are not happy with the vision – because they tend to subvert the commitment of those around them," says the chief executive of English China Clays. The sooner you fire these people the better, echoes the chairman of Unisys. So there you have it. Criticise if you dare, but you better be prepared to back down quickly. Otherwise it could cost you your job.

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BUSINESS TRAVEL NEW AIRLINE ALLIANCE

Oneworld, lots of benefits

Roger Bray looks at the advantages of a deal that has satisfied competition authorities and hopes to do the same for customers

Oneworld, a tie-up between British Airways, American Airlines and three other international carriers, comes into effect today offering huge benefits to business travellers. What are these benefits? And why should this alliance be acceptable to the competition authorities on both sides of the Atlantic when BA's proposed, separate deal with American is not?

Oneworld's other members are Canadian Airlines, Cathay Pacific and Qantas. (A sixth partner, Finnair, joined late and will not introduce service changes until later this year.) The five airlines will offer through check-in on most services, although it is still not possible to check bags to onward destinations within the US without passing through customs at a gateway airport. Wherever possible, the airlines will move arrival and departure gates close together to cut hassle for connecting passengers.

The airlines also promise that staff will treat their partners' passengers as if they were their own. Travellers belonging to all five frequent-flyer schemes can earn and redeem miles on any of the partners' flights. Those eligible will have access to more than 200 airport lounges, priority check-in, standby and wait-listing, and common stickers will be issued for each airline's top tier cards.

There are complications, however. Oneworld is designed to avoid US anti-trust objections because it does not involve any new attempt to standardise fares or juggle with capacity or flight frequencies. But while argument about the BA-American deal rumbles on, points earned with one on North Atlantic flights will not count towards top tier membership with the other.

And while other carriers within the group may be able to dovetail connecting flight times, American says it is not yet allowed to do that with BA. A spokesman says: "Without antitrust immunity there are four things we can't talk to BA about: scheduling, pricing, frequency, capacity."

Nevertheless, this kind of alliance appears to offer

The airlines promise that staff will treat partners' passengers as their own

business passengers most of the benefits of the closer and more controversial link, with few, if any, of the perceived drawbacks.

Whatever kind of relationship they strike up, airlines still have an uphill task persuading sceptical travellers that there is much in it for the customer. A recent worldwide survey of long-haul business passengers by the International Air Transport Association showed almost one-in-five disagreed to some degree with the proposition that they derive advantages from such deals.

The main perceived risk is that alliances will stifle competition and force up fares. A study by academics at the University of Illinois claimed recently that co-operation between United Airlines, Lufthansa and SAS, members of the rival Star Alliance, had held prices down. It found that on international routes where passengers make connections, their fares were 36 per cent lower than those charged by carriers not in the group.

It concluded that international alliances "generate substantial price benefits" for passengers switching between flights operated by their members, and that there was no clear evidence that they reduced competition on routes between gateway airports.

If the United link with Lufthansa and SAS were terminated, it said, fares would rise substantially in all of the connecting markets served by the three carriers. The study calculated that, if the alliance did not exist, the cumulative cost to passengers in higher fares "would range between US$50m and $82m per year".

But the US Justice Department, which is looking closely at the issue, remains unconvinced. And the National Business Travel Association, which represents more than 2,000 US travel managers and service providers such as hotel groups, is concerned that links between carriers may mean a reduction in choice of flights.

As to whether alliance members were making changing aircraft easier by altering schedules or sharing terminals, an NBTA spokeswoman said: "I don't think we have seen much of that yet. We are hoping for a win-win situation where travellers will be able to move seamlessly through an air transportation system which is becoming ever more complicated and at the same time individuals and corporations will enjoy lower fares."

IT DISTRIBUTED SYSTEMS

Clustered PCs do a 'super' job

High-performance computers are very expensive, but there is an alternative, writes Paul Talacko

Some computing tasks can be carried out only by top of the range computers. Yet while PCs have plummeted in price, the cost of these "supercomputers" has remained obstinately high.

The solution, say many scientists, is to mimic supercomputers by cobbling together dozens of cheap PCs. The result is a "distributed supercomputer", and the concept is becoming increasingly popular in science, engineering, industry and medicine.

One of the pioneers of this type of system, also known as parallel computing, is Thomas Sterling, senior scientist at Nasa's Center of Excellence in Space Data and Information Sciences. With colleagues, he developed the so-called Beowulf class of distributed supercomputer system in 1994.

But other organisations are also involved – notably Inktomi, the Silicon Valley company whose internet search-engine software is rooted in computer clustering technology.

Beowulf, says Mr Sterling, was the result of a number of coincidences, including a request from Nasa for a machine of a certain capability, and the availability of cheap mass-produced hardware and the necessary software expertise.

Nasa required a high-performance 1 gigaflop (one thousand million floating-point operations per second) computer for an earth and space sciences project at the Goddard Space Flight Center. But the budget was a measly $50,000, far too low for a high-performance computer.

"I did an analysis and found that the mass market approach would have the required performance," says Mr Sterling. "We could link the PCs together with networking cables and use the emerging Linux operating system. A colleague, Donald Becker, had the software expertise to make it work."

Applications for Beowulf class systems, he says, include cosmological simulations, simulations of the sun and the effect of solar wind on the atmosphere, climate models, simulating the structure of airframes, fluid dynamics, nuclear fusion power plants and car crashes.

In the commercial sphere applications have mushroomed, in particular in the field of web servers and for databases, and in the area of data analysis or "data mining" where companies are looking for purchasing patterns among customers.

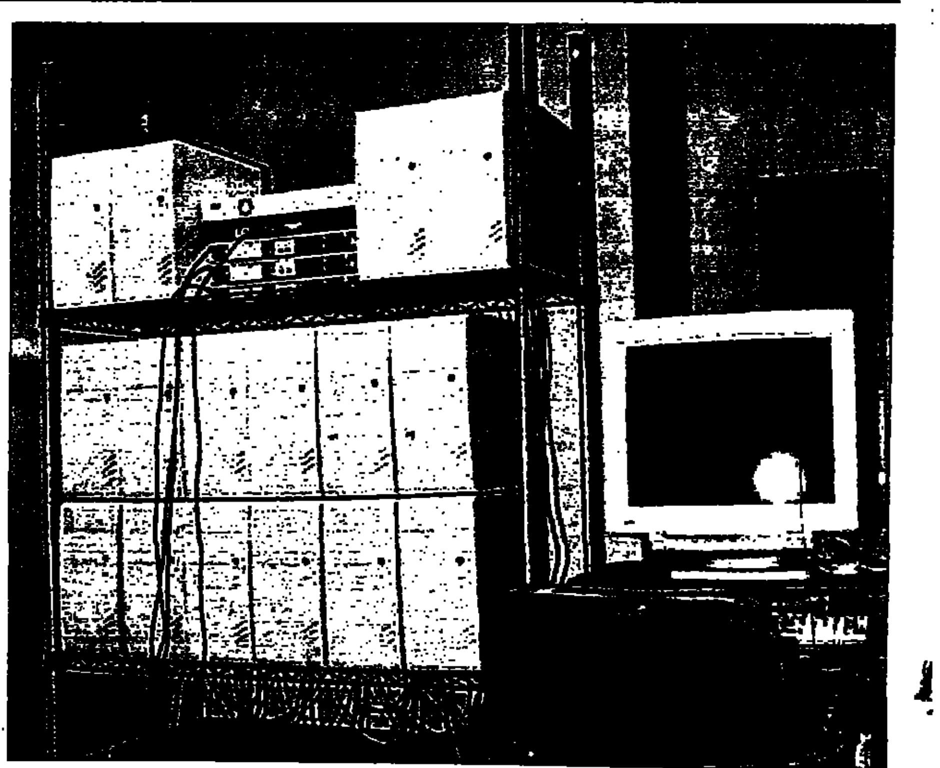
A Beowulf teraflop machine should cost $1m, compared with $100m for an equivalent supercomputer

One of the most important distributed supercomputer projects is the Avalon computer at the Los Alamos National Laboratory. This is a 10 gigaflop machine that cost only $150,000 and is used as a general purpose supercomputer for applications ranging from astrophysics to molecular dynamics.

In medicine, use of Beowulf systems is growing rapidly for identifying such things as brain tumours on CAT (computer-aided tomography) and NMR (nuclear magnetic resonance) scans. "Often it takes hours for the computers to do calculations, and in some cases this can be life threatening. A Beowulf class system may reduce this considerably," says Mr Sterling.

But he admits that Beowulf class systems cannot always be used as substitutes for supercomputers. Some problems are inherently "serial" in nature, such as those in crypto-analysis and particle phenomenology, so cannot be handled by smaller PCs working together in parallel.

Development of Beowulf is continuing and within 18 months Beowulf systems will be able to comprise 1,000 linked computers forming machines capable of 1 teraflop (1 million million floating-point operations per second). The price of a Beowulf teraflop machine should be about $1m, compared with $100m for an equivalent supercomputer.



Computer cluster: Hrothgar is a Beowulf class system in operation at the Goddard flight centre

Meanwhile, Inktomi, founded in 1996 by Eric Brewer and Paul Gauthier, researchers at the University of California at Berkeley, is already making money from its own computer clustering technology.

"The clusters in which Inktomi specialises are ideal for sorting large quantities of data," says Mr Brewer, "but they are also ideal for rendering images, and many of the special effects on the feature films *Toy Story* and *Titanic* were achieved using this technology."

The Inktomi system is also well suited for "caching". This involves storing frequently accessed web pages at a site nearer to users and therefore substantially increasing access times. "The cluster that Inktomi has installed for the internet server provider America On-Line can handle more than a billion hits per day," says Mr Brewer.

Inktomi is also developing a shopping search engine based on its clustering technology. "As in other applications this focuses on data intensive processing allowing users to search through data very quickly," he says.

In addition to the lower cost of Inktomi systems compared with traditional high-performance computers, there are a number of advantages to this clustering technology, he says. "For one, every time you add another PC to the cluster you get an additional input/output bus [connection]." That increases the bandwidth available, increasing data transfer speeds.

"Another benefit," he says, "is that on the internet, machines must be up a lot of the time, and a cluster has the advantage that if one node [PC] goes down the remainder of the cluster remains working." Also he says, it is easy to add nodes, so a business can increase capacity when it needs to, rather than having to anticipate growth rates.

But it is cost that Mr Brewer believes will continue to drive the market for distributed supercomputers, especially as programming methods become more sophisticated. In addition, with projects creating clusters using commercial operating systems such as Microsoft's Windows NT and Apple's MacOS, the number of distributed supercomputers is bound to increase.

Mr Sterling, too, is enthusiastic about the future: "Every computer science department will soon have its own Beowulf."

هكذا من الأصل

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BUSINESS EDUCATION ENVIRONMENT

Green idea ready to take root at school

Educators have been slow to grasp environmental issues, writes **Vanessa Houlder**

"The sustainability agenda is developing faster than any other part of the business agenda and ... the relevant understanding and skills are likely to be necessary conditions of success in the 21st century business world." Livio Desimone, chairman 3M.

Growing numbers of business leaders are prepared to endorse the importance of environmental management skills. But if business schools are a sensitive barometer of the concerns of companies, the much-vaunted "greening" of business has a long way to go.

Environmental issues are rarely incorporated into the core curriculum of business schools; recruiters are rarely interested in environmental expertise and schools' commitment to environmental issues usually lapses with the departure of the member of faculty who championed them.

These are the conclusions of a study of US business schools by the World Resources Institute, a Washington-based think tank. "Business-environment interactions remain outside the mainstream of business school thinking and analysis," it said.

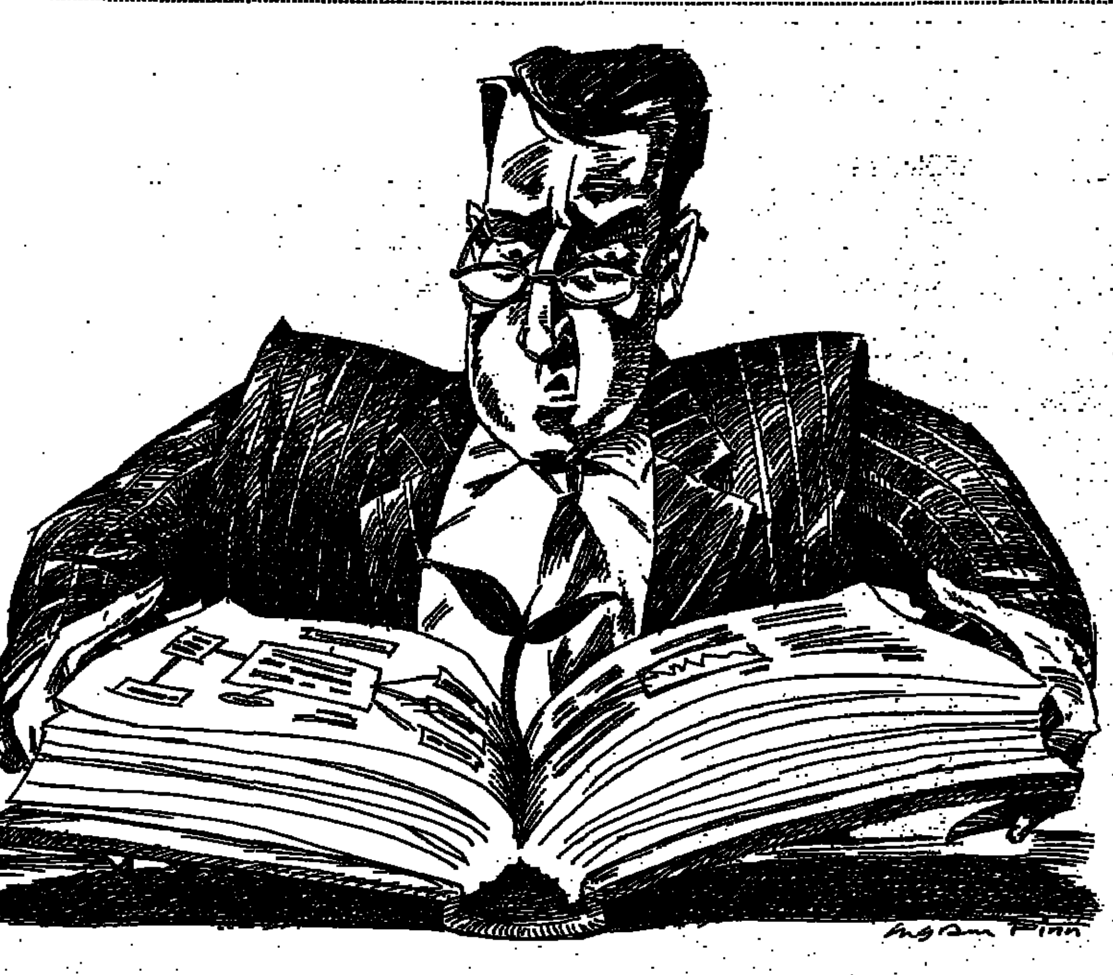
And yet, in a handful of US business schools, environmental management is being taken increasingly seriously. The WRI highlighted George Washington University, Stern, Kellogg, University of Michigan, University of North Carolina-Chapel Hill, University of Tennessee-Knoxville, Darden and the University of Washington for their "outstanding" curricula and activities focusing on the environment.

These schools – and a number of others that are launching environmental courses – believe they are responding to the needs of business in integrating environmental issues into their curriculum. As Joseph White, dean of the University of Michigan Business School, puts it: "Environmental issues have become a matter of central concern to business. They also create great business opportunities."

Courses on environmental management are also emerging in Europe. Some offer an unconventional approach to business teaching, notably the New Academy of Business, which was set up by Anita Roddick, the founder of Body Shop.

This runs a short course for British Airways at Lancaster University and a two year part-time MSc at Bath University covering corporate citizenship, sustainable development, fair trade, human rights and the interdependency of the north and south. It is exploring the possibility of putting together an MBA programme run by four European universities.

But the environment also plays a prominent role on the agenda at some mainstream business schools, such as IMD in Switzerland. Its approach to the environment is overseen by Ulrich Steger, who is credited with starting the first environment management course in 1987, which was run by the European Business School.



Prof Steger says the US is five years behind Europe when it comes to interest in environmental management. He traces the emergence of environmental management courses in Europe to a change in attitude on the part of business, which has gradually shifted from viewing environmental protection as a necessary evil to seeing it as a source of competitive advantage. This trend is also under way in the US, although it has been slowed by a different approach to regulation and pricing of energy and waste disposal.

'Environmental issues have become a concern of business. They also create great business opportunities'

So why, if the environment is taken seriously by business leaders, are the business schools slow to emphasise its importance? One possibility, says the WRI, is that business school professors have been slow to grasp its importance. "The novelty of environmental management as a subject of business academics could explain resistance to considering this an important business issue."

Another explanation is that students do not always perceive its relevance. At IMD, according to Prof Steger, students fall into three, roughly equal, groups. One third are very interested in environmental issues; another third are prepared to be convinced, while the rest are entirely unresponsive.

At US business schools, student enrolment in elective courses has not increased as quickly as expected, according to the WRI survey. The reason, it suggests, is that corporate recruiters are rarely interested in whether MBA students are familiar with environmental management issues.

There, it seems, is the rub. Most MBA students will not take a particular interest in the environment unless it makes sense for their careers. And – in spite of support by many chief executives – the commitment to the environment does not trickle down to managers and recruiters.

"As long as environment is a marginalised part of the business community, the incentive is not there for managers or business schools to do it," says Steve Viederman, president of Jessie Smith Noyes Foundation, a US foundation that uses companies' environmental credentials to guide its investment decisions.

The perception that the environment is a fringe issue is being perpetuated by the approach of many business schools. Their coverage of the environment is concentrated in a few disciplines such as strategy, ethics, business and society and conflict negotiations. "As a result, business school students are trained to think of the environment as a regulatory or social concern not central to competitive success," says the WRI.

So what is the way forward for business schools? The answer, it seems, lies with integrating environmental issues into the teaching of other disciplines. "Incorporating environmental management into existing classes, both required and elective, offers the best strategy for giving all students general exposure to environment-business interactions," says the WRI.

Prof Steger has reached the same conclusion. He describes courses that purely focus on the environment as a "non-starter". Instead of attempting to turn out environmental specialists, business schools should try to train managers with expertise in traditional disciplines who are also aware of environmental issues.

• Environmental issues must be included in the mainstream of business thinking, he says. "Unless the environment is taken into account as part of business decision making, it will always be an uphill battle."

NEWS FROM CAMPUS

Chicago business school to set up campus in Asia

The University of Chicago graduate school of business has officially announced that it will set up a permanent campus in Singapore. The campus will be similar to its site in central Barcelona where Chicago faculty teach the executive MBA programme and short executive programmes.

The campus will be the first permanent site in Asia set up by a US business school. However, Insead, in France, announced last year that it will set up a duplicate of its Fontainebleau campus in Singapore.

Classes for the Chicago executive MBA programme will begin in autumn 2000 and are intended for executives who want to study while working. The programme will be taught in 16 one-week modules spread over 19 months and for part of the programme participants will be taught alongside their peers from the executive MBA courses in Chicago and Barcelona. Participants from Singapore will have to travel to Chicago and Barcelona as part of the programme.

The new campus is a building with national heritage status and is situated in the Orchard Road section of Singapore. The House of Tan Yeok Nee, as it is called, will be completely refurbished before the start of the programme.

Chicago: www-gsb.uchicago.edu

Student award scheme

The UK's Association of Business Schools will today launch an award scheme which gives £5,000 worth of prizes to management students. The scheme has a number of categories for both undergraduates and MBAs. Closing date for applications is April 30.

ABS: www.the-abs.org.uk

Investment lab plan at Ohio

William "Mil" Batten, former chairman of the New York Stock Exchange, has given $500,000 (£303,000) to the Fisher College of Business at Ohio State University to set up the Batten Investment Laboratory. It will be used by the Student Investment Management class, which invests in the stock exchange. In 1990 its investment portfolio was worth $5m; today it is worth $15m.

Mr Batten was chairman of the New York Stock Exchange from 1976 to 1984 and was chief executive of J.C. Penney before that. He is also an alumnus of Ohio State University.

Fisher College: www.cob.ohio-state.edu

Swiss venue for symposium

Students from the University of St Gallen, in Switzerland, and Harvard are organising an International Management Symposium in Switzerland in May and June. The symposium, founded in 1969, traditionally attracts top business leaders as well as students from universities worldwide.

St Gallen: www.isc.unisg.ch

Kellogg dean's honorary award

Donald Jacobs, dean of the Kellogg school at Northwestern University, has received an honorary doctoral degree from Nijenrode University in the Netherlands. The award is to recognise his work in developing and promoting management education.

Nijenrode: www.nijenrode.nl

Information for News from Campus should be sent to Della Bradshaw,
The Financial Times, One Southwark Bridge, London SE1 9HL
Tel. 44 171 873 4673 Fax 44 171 873 3950

OPENINGS

MADRID
In its eagerly-anticipated El Greco exhibition, the Thyssen-Bornemisza Museum follows his artistic apprenticeship in Crete and Italy, in an attempt to shed light on his subsequent "Spanish transformation". The show, comprising 80 works from the years 1560-1600, opens on Thursday and runs until May 16.

GLASGOW
In the space of two years, Scottish director-designer David McVicar has become one of the hottest properties in international opera. On Saturday he returns to the Theatre Royal for Scottish Opera's new production of *Der Rosenkavalier*. Richard Armstrong conducts, and Joan Rodgers (right) is the Marschallin.

LOS ANGELES
Degas's hitherto unnoticed interest in photography is explored in an exhibition opening at the Getty Museum tomorrow.

First seen in New York last autumn, the show travels to Paris in May.

EDINBURGH
An exhibition opening at the National Gallery of Scotland on Friday sheds light on one of the most celebrated of British architects. "Robert Adam: The Creative Mind" presents a selection from his rich legacy of architectural drawings, starting with his Italian tour in the mid-1750s, and culminating with his studies for Culzean Castle and *Edinburgh's Charlotte Square*.

PARIS
Phyllida Lloyd's staging of *Macbeth* was originally intended as a final flourish for the Royal Opera before the closure of Covent Garden in 1997 – but last-minute technical hitches forced its abandonment. As a co-production with the Paris Opera, however, it finally comes to life at the Bastille on Wednesday. Gary Bertini conducts, and the Macbeths are sung by Jean-Philippe Lafont and Maria Guleghina.

CHICAGO
After visits to Rotterdam tonight and London's Festival Hall on Thursday, Riccardo Chailly and the Royal Concertgebouw Orchestra cross the Atlantic for a six-city US tour. It opens at Chicago's Orchestra Hall on Sunday, and takes in New York on February 12 and 14.

NEW YORK
Caryl Churchill's *Blue Heart* double-bill, first seen at London's Royal Court in 1997, is new in New York this week. Made up of two distinct one-act plays, in a staging by Out of Joint, the whole is directed, as in London, by Max Stafford-Clark. The venue is Brooklyn Academy of Music's Majestic Theatre and the cast includes Gabrielle Blunt and Pearce Quigley (left).

Uma Thurman is the latest Hollywood star to grace the stage, in a new version of Molière's comedy *Le Misanthrope*, currently in previews at the Classic Stage Company. Adapted by Martin Crimp, the play is set in London, and co-stars Roger Rees.

LONDON
Birmingham Royal Ballet comes back to London for a first season in the new Sadler's Wells Theatre, playing a week of David Bintley's bold historical epic *Edward II* (right) – and no holds barred in the hot-poker division. Next week, a varied repertory includes Ninette de Valois' adorable *Prospect Before Us* and Twyla Tharp's *In the Upper Room*.

Dosso treats the most commonplace subjects with unexpected freshness: 'Drunkenness', c.1521

NEW YORK EXHIBITION DOSSO DOSSI

Master with a comic touch

Paul Jeromack enjoys the humour and humanity in the work of a 16th-century Italian court painter

At a time when most American museums have abandoned exhibitions of old masters in favour of yet another Impressionist-of-the-month extravaganza, the Metropolitan Museum of Art in New York has persevered in mounting thoughtful and compelling exhibitions on painters few Americans have heard of.

Its most recent revelation is the magnificent *Dosso Dossi: Court Painter in Renaissance Ferrara*, organised in conjunction with the Ministero per I Beni Culturali e Ambientali of Ferrara and the J. Paul Getty Museum in Los Angeles.

Dosso, whose nickname derived from the name of some family property, was born Giovanni de' Luteri in Ferrara in about 1486, the son of a bursar in the service of Duke Ercole I of Ferrara. His family connections at the Ferrarese court must have held him in good stead, for by 1514 he and his younger brother Battista were ensconced as the favoured artists of Ercole's son and successor, Alfonso d'Este, under whose loyal patronage he remained until his death in 1542.

As Renaissance princes go, Alfonso was more interesting than most. Regarded by his family as something of an unlettered clod, Alfonso preferred military adventures to humanist studies. He enjoyed the decidedly ignoble hobbies of whittling his own flutes and chessmen, building lutes and other musical instruments, casting cannon, and even throwing his own pottery and majolica dinnerware. And he adored artisans, musicians and poets – to his family's horror, he actually *dined* with them – and was an obsessive collector of antiquities and ancient coins, and a generous patron of art.

He was, it seems, the patron every painter dreams of having, and his fondness for the Dossi brothers as artists and companions may have been the reason Giorgio Vasari, the Florentine painter and biographer of Italian artists, dismissed them so readily.

For Vasari, greatness in painting depended on strict adherence to the Florentine and Roman grand manner, exemplified in Michelangelo and Raphael. Dosso was well acquainted with their works, yet he was not in thrall to them.

Dosso drew inspiration from a great variety of sources – the finely finished panels of his Ferrarese predecessors Mazzolini and Mainieri; the fleshy eroticism and coy sensuality of the Roman, Guido Romano, and the Parmese, Parmigianino, and, most notably, the often eccentric and anti-classical works of Dutch and German artists.

While it is often believed that Dosso gleaned knowledge of northern art solely through prints (Dürer's engravings supplied him with animals on several instances), his highly pitched colours, picturesque fantasy and calligraphic flourishes seem to suggest knowledge of paintings by Lucas Cranach, Hans Baldung Grien and especially Albrecht Altdorfer, with whom Dosso's landscapes have a deep affinity.

But Dosso is more than merely an imaginative eclectic. He is perhaps the most genial of all 16th-century Italian artists, capable of treating the most commonplace subjects with unexpected freshness. Seldom has St Jerome's wilderness retreat been treated so invitingly, nestled in a forest glade and bordered by sparkling lakes, while the Madonna and Child are serenaded by angels holding almost comically oversized song-sheets.

Even an altarpiece devoted to the doctor saints Cosmas and Damien has a quirky twist, as one massages the sore jaw of a strapping gentleman while the other triumphantly holds aloft a glass with an extracted tooth.

But Dosso was never more in his element than when composing a work of fantasy and whimsical allegory. Here are the Met's own "Three Ages of Man", the "Circe" from Washington (surrounded by hapless lovers turned into obedient pets) and the Borghese Gallery's "Melissa", where Ariosto's enchantress, bedecked in oriental robes and turban, peers off into the distance.

Humour was an integral part of Dosso's art, as shown in the low comedy of the Punch and Judy fury of "Two Women Quarrelling", and the still unexplained so-called "Allegory of Hercules" from the Uffizi, of a flower-wreathed old man mocked by a company of grinning buffoons, bosomy courtesans and a fluffy Maltese puppy. A touch of comedy is evident in even the monumental "Allegory of Fortune" from the Getty, featuring a Michelangelesque nude unsteadily holding a cornucopia while squatting on a large bubble.

There is one unfortunate by-product of this magnificent exhibition. Dosso's light and free technique has proved especially vulnerable to over-zealous restoration, and several pictures – the "Two Scenes from the Life of Christ" from Ferrara, the Washington "Scene from a Legend", and the allegorical rhomboids from Modena – are either complete ruins or scrubbed shadows of their original appearance.

Most instructive is the Getty's "Allegory with Pan", which has come down to us in patchwork state: Dosso himself seems to have over-painted the clothed female figure, which was then revealed by a radical, 19th-century stripping. What one sees today may be all by Dosso, but it is not what the artist intended at all.

Until March 28 at the Metropolitan Museum of Art, New York, then at J. Paul Getty Museum, Los Angeles, April 27-July 11.

THEATRE IN LONDON

Little focus provided for actorly skills

Why has the National Theatre chosen to stage Alexander Ostrovsky's play *The Forest?* It is fairly interesting to see anything by Ostrovsky (1823-1886), but at no point in *The Forest* does he appear at his most remarkable or his most entertaining. Why has Alan Ayckbourn, a master of theatrical craftsmanship, adapted it and yet left its every individual scene feeling too long? Why has the director Anthony Page, who has been responsible for several of London's finest productions in recent years, brought this one to so unsatisfying a condition? None of the performances is quite good enough.

The Forest was written in 1870, and what makes it historically interesting, in parts, is the way that it sometimes seems to anticipate scenes or characters that would recur in plays by several later writers. But in each case you cannot help feeling that the later playwrights did it much better. The characters will remind any theatregoers of plays from Chekhov to Beckett; and the châtelaine, Raisa Pavlovna, happens also, by chance, to parallel Natalia Petrovna, heroine of Turgenev's play *A Month in the Country*. Big deal. But at the National, one cannot even trust the historical features of Ayckbourn's version. He gives one of the characters a joke about *Swan Lake*; but that ballet was not composed until 1877, seven years after Ostrovsky wrote his play.

Yet amid all the fog of the familiar-feeling scenario, there are odd episodes that suddenly loom out with strange freshness. In particular, the startling tragic-comic scene in Act Four when Aksyusha, a young dependant of Raisa Pavlovna's, is suddenly seized by a feeling of such despair, her life so hopeless while controlled by others, that she tries to drown herself; and then Gennady Neschastlivtsev, her cousin and a wandering actor, not only saves her life but restores her to hope.

In this scene and elsewhere, as Gennady Neschastlivtsev, I have never seen Michael Feast better. But the role needs an actor of bursting spontaneity and abundant charm: two qualities the over-accomplished Feast lacks. Likewise, Niamh Linehan shows us all the contrasting facets of Aksyusha without ever capturing our sympathy. But she has talent; so do Darren Tighe as her young lover Pyotr Ivanovich Vosmibratov, and David Bark-Jones as the duplicitous, young Aleksey Sergeyevich Bulanov, who both give good performances without ever persuading us that theirs are good roles.

A great deal of the comedy rests on Gennady's fellow-actor Arkadiy Schastlivtsev, played here by Michael Williams. But Williams is becoming an unfunny caricature of actorliness: his very voice is now perpetually disfigured by a whinnying vibrato. Frank Windsor, Royce Mills, Windsor Davies and Peter Gowen contribute four absolutely staple caricature performances: standard stuff, with no original or spontaneous touches anywhere. The best and funniest performance is probably that of Julie Legrand, an over-artful actress who nonetheless is here often very enjoyable as Raisa's sly and flattering servant Ulita.

At the play's centre is Frances de la Tour as Raisa Pavlovna. Hers – unusual for this actress – is a curiously unresolved performance. Her voice and her delivery of the lines are assured and, if anything, over-relaxed, tipping things to the brink of archness. But her gestures and body language are busy and under-relaxed. With her, as with William Dudley's lavish and picturesque designs – and as indeed with the whole production – one sees abundant skills spilling over this way and that without ever finding a proper focus.

Alastair Macaulay

INTERNATIONAL Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Carmen: by Bizet. New staging by Andreas Homoki, conducted by Edo de Waart. The designs are by Wolfgang Gussmann and Gabriele Jaenecke, and the cast includes Carmen Oprisanu and Martin Thompson; Feb 3, 5

BARCELONA

EXHIBITION
Fundació Joan Miró
Tel: 34-93-329 1908
www.bcn.fjmiro.es
Magritte: celebrating the centenary of the artist's birth, this show contains over 90 paintings and 50 photographs; to Feb 7

BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203090
Deutsche Oper Orchestra: conducted by Jiří Kout in works by Brahms and Bartók, with piano soloist Gerhard Oppitz; Feb 3

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Faust: by Gounod. Conducted by Sebastian Lang-Lessing in a staging by John Dew; Feb 4
● Manon: by Massenet. Conducted by Sebastian Lang-Lessing in a staging by Cesare Lievi; Feb 2, 5

CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Roméo et Juliette: by Gounod. Conducted by John Nelson in a staging directed by Nicolas Joël. The cast stars Roberto Alagna and Angela Gheorgiu; Feb 1, 5

FORT WORTH

EXHIBITION
Kimbell Art Museum
Tel: 1-817-3328451
www.kimbellart.org
Matisse and Picasso: A Gentle Rivalry. More than 100 paintings, sculptures and drawings on loan from collections around the world make up this first-ever exhibition devoted to the relationship between the two great modernists; to May 2

GLASGOW

OPERA
Theatre Royal
Tel: 44-141-332 9000
Scottish Opera: Der Rosenkavalier, by R. Strauss. New staging by David McVicar, conducted by Richard Armstrong. The cast includes Joan Rodgers; Feb 6

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● London Symphony Orchestra: conducted by Colin Davis in works by Elgar, Bartók and Beethoven, with violin soloist Sarah Chang; Feb 3, 4
● London Symphony Orchestra: conducted by Colin Davis in works by Beethoven and Elgar, with piano soloist Richard Goode; Feb 7
● Royal Philharmonic Orchestra: conducted by Daniele Gatti in works by Brahms and Mahler, with soprano Ruth Ziesak; Feb 1

Royal Festival Hall
Tel: 44-171-960 4242
● BBC Symphony Orchestra and Singers: conducted by Andrew Davis in works by Boulez; Feb 1
● London Philharmonic Orchestra: conducted by Kent Nagano in works by Bartók and Berlioz, with viola soloist Yuri Bashmet; Feb 3
● Royal Concertgebouw Orchestra: conducted by Riccardo Chailly in works by Brahms and Schoenberg, with violin soloist Vadim Repin; Feb 4

EXHIBITIONS
Barbican Art Gallery
Tel: 44-171-638 8891
● Africa by Africa: A Photographic View. Spanning the breadth of photography produced in Africa since the 1920s. Includes works by Mama Casset, Seydou Keita and Samuel Fosso; to Mar 28
● Picasso and Photography: The Dark Mirror. Exhibition exploring the influence of photography upon Picasso's painting, and including photographs taken by Picasso; to Mar 28

National Gallery
Tel: 44-171-839 3321
Portraits by Ingres: Images of an Epoch. 40 paintings and 50 drawings by the 19th-century French painter. Includes major loans from museums in France, the US and elsewhere; to Apr 25, then touring to the US

LYON

OPERA
Opéra National de Lyon
Tel: 33-4-7200 4500
Zelmira: by Rossini. Conducted by Maurizio Benini in a staging by Yannis Kokkos, with a cast including Mariella Devia; Feb 1

MONTREAL

EXHIBITION
Montreal Museum of Fine Arts
Tel: 1-514-285 1600
www.mbam@cam.org
Monet at Giverny: 22 paintings, produced during the last 20 years of the artist's life, loaned by the Musée Marmottan in Paris; to May 9

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Fabio Luisi in works by Wagner and Liszt; Feb 1, 2, 3
● Symphonieorchester des Bayerischen Rundfunks: conducted by Lorin Maazel in works by Mozart and Bruckner, with piano soloist Murray Perahia; Feb 4

EXHIBITION
Haus der Kunst
Tel: 49-89-211270
The Night: exploring the development of the nocturne, or night-time scene, in western art. Includes early examples by artists including Cranach, baroque works by Caravaggio and his followers, and works by the German romantics. Other artists represented include Goya, Munch, Max Ernst and Magritte; to Feb 7

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
www.staatstheater.bayern.de
Lohengrin: by Wagner. Peter Schneider conducts a staging by Götz Friedrich. Cast includes Adrianne Pieczonka and Waltraud Meier; Feb 3

NEW YORK

EXHIBITION
Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
Jackson Pollock: first US retrospective of the Abstract Expressionist since that held at MOMA in 1967. Includes more than 100 paintings and 50 works on paper; to Feb 2, then transferring to London

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
● Luciano Pavarotti: recital by the tenor, accompanied by pianist Leone Magiera; Feb 1
● Orchestre de Paris: conducted by Frans Brüggen in works by Beethoven, Hummel and Schubert, with piano soloist Marie-Josèphe Jude; Feb 3, 4

Théâtre des Champs Elysées
Tel: 33-1-4952 5050
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Canteloube and Mahler, with soprano Dawn Upshaw; Feb 1

EXHIBITION
Grand Palais
Tel: 33-1-4413 1730
Un ami de Cézanne et de Van Gogh: le docteur Gachet (1828-1909). Exhibition devoted to the doctor and painter who was a friend to Cézanne, Pisarro, Monet and Renoir as well as to Van Gogh, who famously spent the last weeks of his life with Gachet at Auvers-sur-Oise; to Apr 26, then transferring to New York

ZURICH

EXHIBITION
Kunsthaus Zurich
Tel: 41-1-251 6765
Chagall, Kandinsky, Malevich and the Russian Avant-Garde: exhibition exploring the artistic upheavals of the first two decades of this century. In addition to important loans from the State Hermitage Museum in St Petersburg the show brings together pictures from provincial museums never seen in the west before perestroika; to Apr 25

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS

Redefining the territory

Businessmen find that Hong Kong's problem since the handover to China is not too little political freedom but too much, write **Rahul Jacob** and **Louise Lucas**

When Hong Kong reverted to Chinese rule in July 1997, there was widespread concern that China would trample on the territory's political and economic freedoms. This was, after all, the oddest of odd couples: the world's freest market being handed over to the world's strongest remaining communist regime.

Eighteen months after the handover, however, Beijing receives measured praise from even its most implacable opponents for allowing Hong Kong to go its own way. "There has been no apparent attempt to intervene by China. They have not been vocal about the actions of the Hong Kong government," says Martin Lee, head of the Democratic party, Hong Kong's leading political party, and a staunch critic of Beijing.


Li Ka-shing: making his voice heard AP

Instead, in the past few months, vociferous criticism has come from another of Hong Kong's powerful masters: its big businessmen. The debate reached a flashpoint late last month when Li Ka-shing, the territory's most prominent tycoon, said he would not make a US$1.3bn investment there because of the prevailing political climate. In an interview with the FT recently, Mr Li stressed that Hong Kong remained his base and that he would in future make investments there. "After this time, once the public gets the message, then next time when there is an investment opportunity we can go ahead," he said.

The "message" Mr Li was sending is a subject that has consumed Hong Kong for weeks. Business leaders bemoan what they see as Hong Kong's transformation from an economics-led city to a more political city. The legislature and the press have become increasingly assertive, energetically scrutinising and critical of the establishment.

Last week, for instance, the local legislature's report on the chaotic opening of the new airport in July included a sharp dressing down of top government officials. Hong Kong's deep recession last year has added to the potent cocktail. There have been protest marches to Hongkong Bank and a noisy demonstration outside Mr Li's offices by home buyers who had defaulted on purchase agreements for new flats bought from his property company. "I support democracy in a mature society built on law and order. Democracy should move forward step by step as set out in the Basic Law [Hong Kong's post-colonial constitution]," says Mr Li.

Business leaders, critics reply, are the ones out of step with the new realities. "It is true that Hong Kong is becoming more politicised. It is also true that it is not politicised enough," says Michael DeGolyer, who oversees the Hong Kong Transition Report, a continuing survey conducted by three universities, at Baptist University. Even though Hong Kong remains a nascent democracy, local politicians are not shy about making themselves heard. This has come as a shock for many businessmen.

Through much of the period after the second world war, the British colonial administration heeded closely the demands of business. The Executive Council, an advisory body, was packed with businessmen, a tradition that continues. For all its strengths as a free market, Hong Kong has a history of oligopolies in businesses such as property and banking – the inevitable result of this clubby legacy.

Since the handover, the Hong Kong government has accelerated deregulation in industries such as telecommunications and broadcasting. And as it sets about liberalising the economy, the legislature has been goading it to move faster. Hong Kong's partially elected legislature may be impotent in many ways – its power to introduce bills, for instance, is severely limited – but its members have for months shown an uncanny knack for dominating the airwaves and headlines. It is perhaps because their powers are so circumscribed that they criticise the establishment, including big business, so vociferously at every turn.

Last week, the legislature urged the government to enact a fair competition law and bring more competition to sectors as varied as energy, freight services, telecommunications and banking. The pro-democracy legislators may be almost all bark and no bite, but they have begun to draw blood on the issue of deregulation. "The complaints [from big business] about increased politicisation are just a smoke screen," says Mr DeGolyer.

The spotlight is now on the telecommunications industry where the government will soon make a decision on whether to allow foreign companies, such as MCI WorldCom, to build their own infrastructure in Hong Kong to compete in the territory's international voice and data market. Local telephone companies, including Mr Li's Hutchison Whampoa, have argued that big international operators would quickly dominate the business after the locals have spent hundreds of millions on building local fixed-line networks. A decision is expected soon. "The government is now balancing the interests of a minority of tycoons against Hong Kong's future as a centre of IT excellence," says Stephen Liddell, MCI WorldCom's Asia Pacific president.

These sound-bite skirmishes are part of the deregulation debate as Hong Kong defines its future. Independent consultants and legislators want the government to loosen the large banks' control on interest rates for savings accounts in the territory. Even in a city as noisy as Hong Kong, the cacophony of conflicting opinions may be unsettling for some, but it is a reflection of the city's inherent pluralism. That cannot be wished away in a city of more than 6m that is home to a large, ever more demanding middle class.

"The pluralistic nature of our society is one of its strengths. It can't be rolled back. One reason multinationals prefer Hong Kong is because there is a free flow of information," says Victor Fung, chairman of the Hong Kong Trade Development Council and of Prudential Asia. Dissent and debate, in other words, are here to stay. Hong Kong's establishment must get used to it.

LETTERS TO THE EDITOR

Banana ruling questions EU policy

From Mr Pierre Didier.

Sir, Guy de Jonquières' analysis in "Trade goes bananas" (January 26) rightly suggests that more than the fruit is at stake in this dispute. In fact, the World Trade Organisation ruling puts in question the very European Union development policy applied towards African, Caribbean and Pacific (ACP) countries. No such policy can exist without trade preferences, themselves dependent on licensing mechanisms of the type condemned.

In general, more attention ought to be paid to the consequences on European social values of some of the 18 cases so far completed by the WTO since its creation. The beef hormones case is one such example. Under the so-called "precautionary principle", the Europeans tend to limit marketing of products whose innocuousness is unproven. However, the panel decided in favour of the reverse approach. This precedent may be hard to overturn in the genetically modified organisms case and in comparable upcoming cases. Be assured that the old Continent, just recovering from mad cow disease, the blood scandal in France and so on, will not easily accept such U-turns in its health policy for the sake of hard-core free trade.

Likewise, the cultural preferences dear to many European (and other) countries, faced with a neighbour's dominant culture, were made fragile by the weighty precedent of the Canadian Magazines case. The Fuji-Kodak case questioned, among others, national schemes supporting traditional family businesses against more modern forms of distribution, while the Japanese and Korean spirits cases terminated preferential tax regimes for popular drinks.

With the Indonesian car case, the WTO essentially condemned public support for local infant industries. Even if the latter cases do not directly affect European countries, their impact on certain societal values here cannot be underestimated.

The acceptability of decisions to the WTO's member countries' public opinions is essential if we are to preserve an efficient multilateral dispute settlement mechanism. The cautiousness of the EC Court of Justice in the early years of the EC testifies to the long-term efficiency of a more careful approach.

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Belgium

Political economy versus human values

From Mr David J. Collison.

Sir, In "Trade goes bananas" the underlying issue is not addressed. That concerns a confrontation between financial interests (in particular those of Chiquita) and social concerns (in particular regarding small-scale producers of bananas). Neither the potential risibility of the product nor the procedural problems of the World Trade Organisation should obscure this central question involving political economy and human values.

The underlying issue is a complex one with serious arguments on each side. It is also an issue that encapsulates far-reaching matters of principle. The consistent lack of media coverage of the core of the dispute should itself be cause for concern.

David J. Collison,
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Deploying librarians saves time and money

From Mr Ross Shimmon.

Sir, John Gapper ("Libraries at your fingertips", January 20) rightly points out that corporate librarians can provide more specialised services when freed from basic level searching. Librarians actively promote end-user information access.

However, most users require training to reach a basic level of familiarity with online information services, and those services need to be managed by people with the professional training to really exploit such resources.

Information is any organisation's most valuable resource and a deployment of librarians – however thinly stretched – will save an awful lot of time and money.

Nothing demonstrates the value librarians bring to their organisations better than universal end-user access to PC-based information services, whether it is via the web or a proprietary network.

Ross Shimmon,
chief executive,
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7 Ridgmount Street,
London WC1E 7AE, UK

The threat of 'protection'

From Mr Stephen Simpson.

Sir, The proposed EU and trade union-inspired "protection" for contract workers (January 27) threatens the competitiveness of the UK's computer services industry, and many of its customers.

The rules assume that all those on short-term contracts are in this position against their will, at the behest of uncaring employers. In the thriving UK computer services industry, this is far from true. I voluntarily left secure, well-paid employment to start up my own company. I enjoy working on short-term contracts, and it would take a lot to tempt me back into permanent employment (if there is such a thing). I employ two people, and pay more tax; I make generous pension provisions for my employees and myself. There are lots like me.

This flexibility benefits all, especially the UK economy. For example, it is debatable if many large UK companies could have shown the degree of due diligence concerning Y2K without such a flexible and well-skilled workforce.

These rules will stifle creativity, and may cause freelance staff to look elsewhere to continue their careers. I continually get calls from abroad – this week I have been approached by US companies in Austin, San Francisco and Boston.

I urge all "contractors" to resist these proposals. We can fight our own battles and decide for ourselves how we work. This is not an issue about fairness or social justice (whatever that is); it is about freedom for people to make their own decisions and live their own lives.

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ECONOMICS NOTEBOOK GILLIAN TETT

After the banks

Japan's public finances are in a mess. Some of the biggest institutions are refusing to buy more government bonds, and the Bank of Japan is not coming to the rescue

Japan is heading for more financial trouble. This time, it is not the country's big private banks that are the problem. The vast expense of bailing them out, however, is exposing far bigger strains in Japan's public financial system.

The issue here is not so much the ballooning central government budget deficit, although this in itself is alarming (see chart). The real menace comes from "hidden" government liabilities arising from the far from transparent finances of local governments and quasi-public institutions.

The web of public finance in Japan is complex, opaque and huge. The officially announced central government "budget", for example, is projected to be Y86,000bn in fiscal 1999. But the Fiscal Investment and Loan Programme, an arm of the Ministry of Finance, spends a similar amount each year on government-directed projects. The FILP does not need central government money to do so: it can tap the Y400,000bn pool of funds in postal savings and pension funds.

The Trust Fund Bureau, part of the FILP, buys a large chunk of Japanese government bonds (creating the unusual situation where government institutions are buying the government's own debt so extensively that they almost control the long-term interest rate).

Meanwhile, the local governments have the ability to raise funds independently of central government and have their own big spending projects, which help support a host of quasi-public institutions. The spending of local governments is mostly not incorporated in central government accounts.

These different channels of spending intersect and prop each other up: FILP loans, for example, are given to local governments which may pass them on to quasi-public institutions, which may then buy government bonds. And until recently, few outside observers worried about how this "recycling" worked, or where liabilities lay. After all, funds seemed plentiful to Japanese investors. And western investment banks were often reluctant to prod too deeply into "off balance sheet" liabilities, since public institutions were key clients.

But as debt levels surge, alarm bells are ringing. And investors are discovering that it is very unclear how much debt is guaranteed by the central government.

The ministry says the ratio of total debt to gross domestic product will be 120 per cent next year for the entire system (and around 70 per cent for the central government).

But Moody's, the US credit rating agency, argues that "hidden" FILP losses could amount to at least another 10 per cent of GDP because it has lent money to wasteful projects with low returns. If the quasi-public sector projects and the Y60,000bn cost of banking reforms are included, total government debt could reach 200 per cent of GDP in five years, economists say.

The government retorts that net debt is still the smallest among the Group of Seven leading industrial countries, since the country has huge assets. But the health of many of these national "assets" is questionable as they form part of the FILP system.

Although some officials privately suggest the government "guarantee" for some liabilities might be renegotiated, the effect of this would be to erode confidence in Japan's financial system.

There are already signs that some key players are becoming nervous about accepting more liabilities. The FILP, for example, recently announced it would stop buying Japanese government bonds because its own funds are set to shrink rapidly as savers withdraw money from the postal savings system because of falling deposit rates.

Politicians are urging the Bank of Japan to buy the government bonds refused by the FILP. But the central bank is not playing along. The bank is also dragging its feet over providing funds for banking reforms because it suspects, perhaps correctly, that it would be pouring money into a black hole.

The ministry of finance has quietly suggested that regional banks should buy bonds to fund bank reform instead. But regional banks are reluctant. They are also fending off requests from local governments to buy their own bonds. And some regional banks are furious because the local governments are refusing to service the debts of quasi-public projects.

To complicate matters further, regional governments want the FILP to restructure their debts. FILP officials are so irritated they are quietly threatening to cut back emergency credits to ailing regional governments.

Will this create a crisis? Not immediately. After all, the government kept the lid on the "open secret" of its banking sector problems for seven years. It can probably contain the public financial system problems for equally long. And for every sign of revolt, there is another sign of cohesion. The Bank of Japan, for example, has recently been bullied into buying more corporate bonds, as opposed to government bonds – in direct contrast to its avowed desire to "clean up its balance sheet".

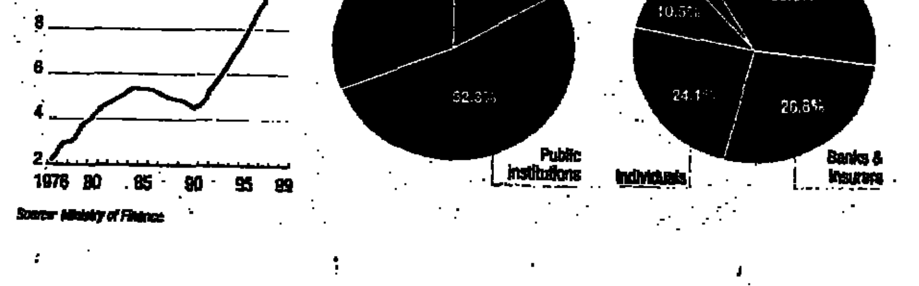
But the pressures on this fiscal pack of cards are rising. The central government debt is publicly surging. A swathe of semi-public regional projects have been collapsing. A handful of local governments privately admit they are close to bankruptcy.

Most importantly, some of the brightest bureaucrats acknowledge that the entire system is unsustainable. Indeed, some reformers are muttering that it may be "useful" to let a few local governments go bankrupt, or unveil some "surprises" at FILP, to prod politicians into action. After all, they point out, it took the collapse of large banks and brokers in 1997 – and the ensuing market "turmoil" – to create the consensus behind serious banking reform.

Quite how the markets would react to the "shock" of a local government bankruptcy or a public institution's default is anyone's guess. And when such shocks might emerge is unclear.

But the parallels with the banking crisis earlier this decade are striking. Japan's financial turmoil could soon be heading for a new chapter.

Looming crisis



Source: Ministry of Finance

COMMENT & ANALYSIS

FINANCIAL TIMES

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Monday February 1 1999

Oasis of prosperity

At the height of last year's international financial crisis, Alan Greenspan, chairman of the US Federal Reserve, warned that the US could not remain an "oasis of prosperity" in a world economy experiencing severe and growing strains. But it did: 1998 marked another remarkable year in the US's remarkable eight-year expansion. Members of the Federal Open Market Committee have a right to be pleased when they meet this week. But Mr Greenspan, for one, will be far from relaxed.

The Federal Reserve has delivered growth with low inflation and low unemployment. In the last three months of 1998, growth exceeded almost all expectations. The annualised increase of 5.6 per cent was the highest rate for two years. For the year as a whole, growth was 3.9 per cent – exactly the same as in 1997. The slowdown in Europe is more pronounced. Japanese policymakers are unable to restore demand in their creaking economy. The US has so far shrugged off the international downturn.

At the same time, in part due to imported deflation, US inflation remains at a 40-year low, while unemployment is below 5 per cent. The FOMC appears to have discovered the secret of economic alchemy. Most forecasts are for growth of around 2 per cent in 1999. This implies a significant slowdown, but would still mean another exceptional year.

The US economy has proved the doomsayers wrong before, and may again. However, there are significant risks on the downside, not least because growth has been supported by a highly unstable cycle of increased household spending and business investment, fuelled by an overvalued stock market.

Mr Greenspan finds himself in a tricky situation. His warnings about asset price inflation, of "irrational exuberance" as long ago as 1996 – and of the "unusual nature" of the rebound in equities after last summer's correction last month – have not been heeded. But he says the FOMC will not raise interest rates to prick the bubble. With price increases nowhere to be seen, even with wage growth picking up there is little case for higher rates to curb inflation. With such strong growth, there is certainly no case for cutting.

Thus, the FOMC is likely to leave interest rates unchanged. It must then hope that households cut back consumption only gradually as the growth in asset prices slows. In 1998, household savings were close to zero. This decline in savings has been accompanied by what looks like an equally unsustainable increase in the current account deficit.

The danger is that the virtuous circle of increasing stock market gains leading to household spending could be thrown into reverse, drying up the oasis and leading to a drought.

Peace push

The international community has taken a high-risk gamble over Kosovo. The major powers in the Contact Group have peremptorily summoned the warring parties to start peace talks in France by the end of this week. The Contact Group is demanding that Serbs and ethnic Albanians take no more than two weeks to settle a problem that has built up over decades. At the same time, Nato is threatening that if the violence in the Yugoslav province continues unchecked, it will bomb the Serbs and cut the Kosovo Liberation Army (KLA) off from its foreign arms supplies.

Double or quits? No, just double. If the high-pressure tactics succeed, there will be a settlement, and a strong chance that Nato countries will put ground troops into Kosovo to underpin the deal. Britain, France, Germany and Italy have made such an offer. If no one shows up at the French peace talks, and if, as would be likely, violence in Kosovo worsens – what then? Nato cannot not carry out its threats without losing credibility. Equally, however, it cannot bomb the Serbs and actively deny arms to the KLA, and then just steal away. Europe and Nato cannot abandon Kosovo – stability on its southern flank is too important – any more than it could ignore Bosnia. So there is no quits.

In essence, the major powers are trying to do another Dayton, the accord that ended the Bosnian war. It will be harder. The Bosnian war produced a weariness and an eventual balance of force. In Kosovo, the Serbs have the big guns, and believe that, without foreigners restraining them, they could roll up the KLA as an organised force. The Kosovar Albaniansfeel destiny and demography are with them in their push for independence.

Both are wrong. As Robin Cook, the UK foreign secretary, rightly observes, there is no chance of the KLA's driving Yugoslav forces right out of Kosovo, just as there is no prospect of the latter's stamping out Albanian guerrilla activity.

So both sides would be foolish not to talk, and seek a compromise. The key issues are whether Kosovo stays within Serbia or just within federal Yugoslavia, and how sweeping the review of interim autonomy should be. They could be traded off. Albanian dissatisfaction at interim autonomy could be assuaged by the promise of a referendum on change after three years.

But the international community will have to act not only as mediator of a deal, but also as monitor of its provisions and maybe military enforcer. Such involvement is slowly paying off in Bosnia, and Kosovo may need the same treatment. So the price of stability may be long-term Nato garrisons in the Balkans.

Cold comfort

Robert Rubin, US Treasury *secretary, is intelligent, experienced and humane*. Yet when he addressed the World Economic Forum in Davos on Saturday he had little concrete to offer on the great policy issue of today: reform of the international financial system. He said, in effect, that not much could – or would – be done to make the world safer. The conclusion is not that emerging market countries should turn inwards. It is that their fate lies in their own hands.

The global economy is now in the second year of a financial crisis that swept through Asia and Russia and has now seized Brazil. In response, the world's most powerful countries have told the afflicted that, to restore confidence, they should adopt politically unpopular policies of radical structural reform and macro-economic stringency. This is cold comfort.

Mr Rubin is no exception on this. Yet in applauding the long-run benefits of the market-based system, he recognises the instabilities inherent in financial markets. In response, Mr Rubin recommends measures to reduce the *volatility of capital flows*. These should, he argues, include better regulation of risk management systems, changes in bank capital standards and improved disclosure of risk. He also considers improving existing ways to deal with crises and the choice of exchange rate regimes. Finally, *he asserts the case for "strong* steps to address the tremendous income inequality that is all too evident around the world – within nations and between nations."

Unfortunately, these fine aspirations have little substance. People lent to east Asia not because they discounted the risk but because they were quite unaware of it. Again, Mr Rubin casts doubt on proposals to turn the International Monetary Fund into a lender of last resort or to pre-qualify countries for emergency assistance. He may want the private sector to bear an appropriate share of the burden, but asks how this is to be done without triggering the crises everyone fears. Even on exchange rates, Mr Rubin raises the issue only to suggest that "fixed and flexible exchange rates have been successful and unsuccessful in different countries ... But whatever the regime, in the final analysis, the key is sound underlying policy."

Mr Rubin is telling emerging market economies that it is up to them to avoid becoming ill and, should they succumb, to make themselves better. Emerging market economies should either pursue the sound, prudent, market-oriented policies consistent with navigation on the high seas of global finance – or hug the shore.

Yielding to the attraction of safe investments

Fear of inflation is receding and government bonds are regaining their historic equitable relationship with shares, says **Edward Luce**

Once upon a time conventional wisdom said you should steer clear of western government bonds. In spite of their reputation for safety, the average investor in UK gilts, for example, since the late 1950s would have lost his shirt.

With inflation after the second world war world often likely to outstrip the annual interest on government bonds, the odds were stacked against you. Much more sensible, therefore, to put your cash into the stock market, where share prices sometimes benefited from an occasional dose of inflation.

This world no longer exists. In spite of the long bull market in *equities, bonds on many markets* have outperformed stocks. Nowadays, the first – and, very often, the only – port of call for nervous investors is the nearest western government bond market. This is why yields on all western government bonds, especially on US and German government paper, plummeted to historic lows in the wake of the near-bankruptcy of Long-Term Capital Management last September.

Government bond prices also shot up (pushing yields lower) after the Asian crisis started to unfold in mid-1997 and, less dramatically, after the devaluation of the Brazilian Real earlier this month. The fear of inflation, which for so long destroyed the attractiveness of bonds, has been replaced by fear of deteriorating credit quality, deflation (falling prices) and the threat of financial contagion from the developing world.

"We are no longer living in an age where inflation is a credible threat," says Peter Ainsworth at Investec, the global asset manager. "This single fact has radically altered the relationship between bonds and shares."

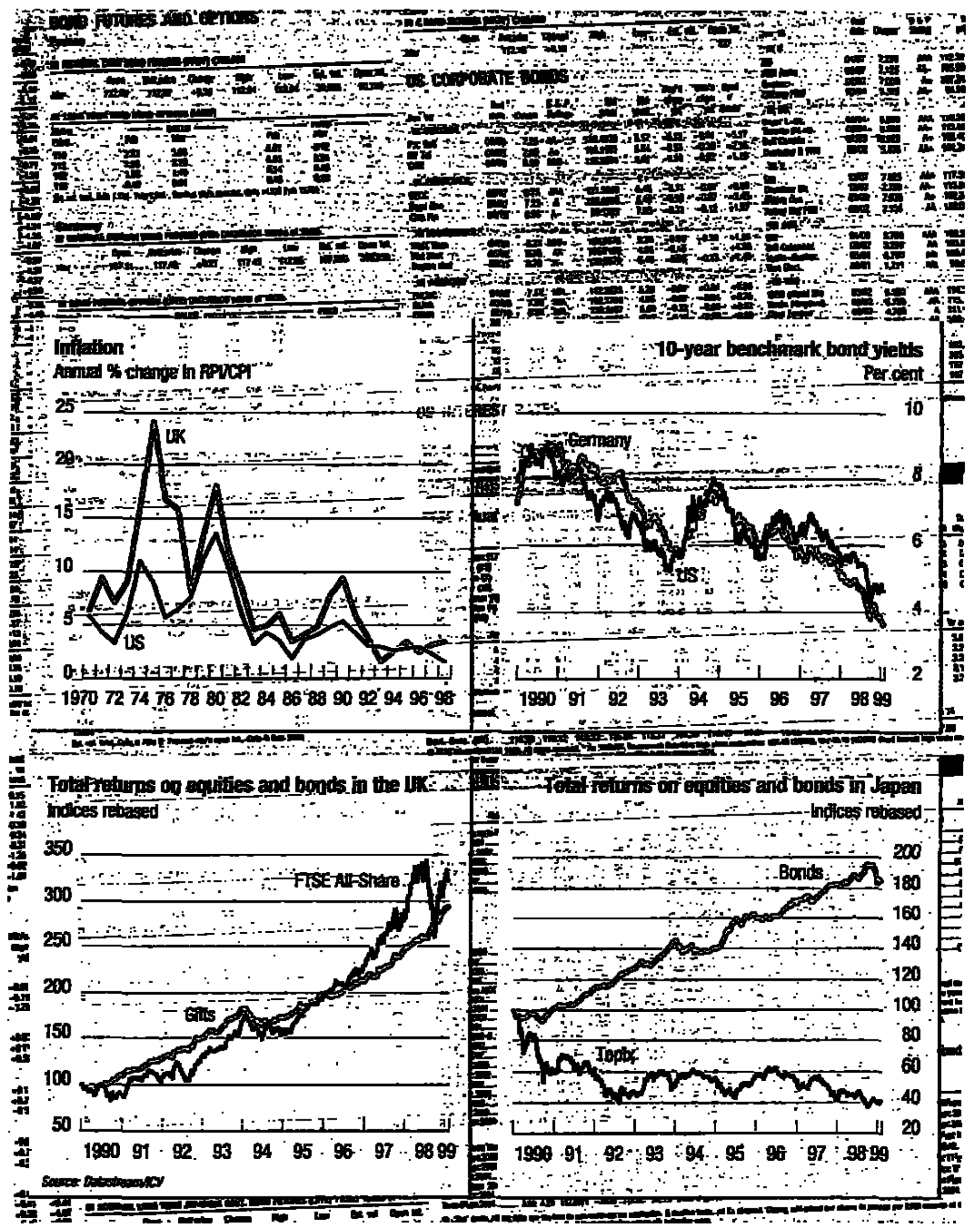
The rehabilitation of government bond markets is founded on the steady decline in inflation over the past 20 years and thus long precedes the "flight to safety" panic of the past 18 months.

If you had invested £100 in the UK gilt market in 1990, it would have grown by now to £240. For an equivalent investment in the FTSE All-Share index, your capital would now be worth £229. According to Barclays Capital, this was the first full economic cycle since the second world war where the return on bonds exceeded the return on equities.

The same trend applies to Germany – albeit less dramatically because of the superior German inflation record – where the government bond market has yielded an annual total return of more than 10 per cent a year since 1990 compared with an annual 13 per cent return for the German stock market.

The returns in Japan illustrate the point most clearly. If 1990 equals 100, Japanese government bonds (JGBs) are now approaching 200 while the Nikkei index has fallen by more than 50 per cent. But if Japan succeeded in inflating its way out of recession, holders of JGBs would be hammered.

In the US, the unprecedented bull market in equities in the past few years means that returns on the Dow Jones Industrial Average comfortably outstrip returns in the Treasury bond market. Nevertheless, you would have more than doubled your money by now if you had put it in US Treasuries in 1990.



Contrast this with the period between 1950 and 1990. In the UK, the annual average rise in share prices was 14.2 per cent over 40 years compared with an average nominal annual yield of just 6.85 per cent on gilts. With average inflation at 6.36 per cent, the real return on gilts was more or less zero. This masks the fact that for long intervening periods – notably the inflationary spiral succeeding the oil price shock of 1973 – you would have lost money in the UK gilts market.

Again, owing to the UK's relatively poor record on inflation, the trend was less dramatic in the US and continental Europe. Indeed, it is only in the past three or four years that continental European investors have begun to buy shares in any significant quantity.

The trend, nevertheless, is broadly the same across the western world although it is most pronounced in the UK, the US and Japan.

George Magnus, chief economist at Warburg Dillon Read, says that the 19th century provides the closest parallel to what we are now witnessing.

"You could say that we have been returning to the historical average in the past few years. It was the post-war economy, with its in-built tolerance for inflation, which was the exception rather than the rule," says Mr Magnus.

The figures bear this out. The so-called Depression of the 1880s and 1890s was actually a period of booming economic growth in the US and the UK, and elsewhere. The term "Depression" referred to falling prices rather than falling output. Deflation, which was almost guaranteed by the international gold standard system, was the norm.

'Bond markets are still the safest hedge against another nasty surprise'

Average annual inflation in the UK was minus 1 per cent between 1870 and 1890 and minus 0.5 per cent in the US, while average annual growth in gross domestic product was 2 per cent and 5.1 per cent respectively.

Naturally, like most of the remainder of the 19th century, it was a climate that favoured bond investors. Indeed, UK prices in 1900 were the same as they were in 1800 although they fluctuated violently around this mean. Over the century the investor received an average annual return of 4 per cent on holdings of UK consols (Treasury debt) and a little more than 4 per cent for holdings in the UK stock market.

Many economists and investors believe the world is reverting to a state where the relationship between shares and bonds is more equitable.

"Many people would argue that inflation is either dead or at the very least dormant in the industrialised world," says Kevin Adams, an economist at Barclays Capital. "The post-war world is therefore a very poor guide as to how you should invest your money."

Guiness Flight, the fund manager, is even recommending that UK investors split their money evenly between the gilt and UK stock markets. At the moment the split is roughly 80:10 in favour of equities with the remainder in cash.

"Investors should sit up and pay attention to the fact that bonds are no longer the Cinderella investments of the past," said the fund last week. "The risk and rewards now argue for a 50:50 bond:equity investment posture."

The case is strengthened by the fact that government bond yields are generally less volatile than equity prices. At a time when the US generation of post-war "baby boomers" are approaching retirement age, fund managers say, it makes sense for them to hold a higher proportion of assets in the form of bonds rather than equities. This is because bonds pro*vide a predictable annual annuity*.

US fund managers recommend that the percentage of funds invested in the US Treasury market should roughly correspond to the age of the investor – the average UK investor would be just 10 years old on this measure.

However, economists say investors should not assume that the rally in western bond markets will necessarily continue over the next few years.

With yields on 10-year German and French government bonds having fallen to below 4 per cent and to below 5 per cent in the US and the UK, inflation would have to dip into negative territory for the bull market to continue.

Bond analysts say that the average real yield on a government bond – the difference between the nominal yield and the rate of inflation – should hover between 2 per cent and 3 per cent. With core inflation now well below 1 per cent in continental Europe and at around 2.5 per cent in the UK, this suggests that yields have little further to fall. At some stage, the market will establish a new equilibrium between inflation and bond yields.

The annual returns of between 15 per cent and 20 per cent in most European government bond markets over the past three years is thus unlikely to be repeated.

"In a way it was better to have travelled than to have arrived," says Mr Adams. "We are not going to see these types of capital gains for much longer. But the real yield on government bonds will continue to be attractive and will compete with the return available on equities."

There is, however, a more gloomy scenario. If, as seems possible, US equity prices took a sharp downturn in response to a slowdown in US corporate profits, the world would be threatened with global recession. This could tip Europe and the US from a phase of falling inflation into a period of outright deflation. In that case, Treasury and German government bond yields would again take a nosedive.

"Bond markets are still the safest hedge against another nasty surprise, whether it comes from Latin America or the US stock market," says Mr Magnus.

"But even if the world has seen the last of the financial shocks, bonds will continue to be a lucrative destination for investors."

OBSERVER

A nice bit of Bonn homie

No one can accuse Europe's labour and social affairs ministers of denying themselves the simple pleasures of life when they meet near Bonn this week for an informal pow-wow under the German EU presidency.

For there's a banquet lined up – a "country-style" supper with live folk music and a farewell lunch in the Cologne chocolate museum – to take ministers' *minds* off an indigestible agenda addressing the effects of the euro on the labour market.

But the ministers face one especially daunting challenge – the Cologne "carnival trinity", intended to provide an interlude of light relief between a coalfield visit and one of the unavoidable "family photographs".

The bizarre trio of males acting out the roles of carnival prince, shy maiden and burly farmer are the aristocrats of the annual Cologne carnival. With appalling jokes and a gaggle of tipsy, bewigged guardsmen in tow, the trinity will give the ministers a rare insight into the carefully orchestrated jollities of the Rhineland's pre-Lenten carnival. Suddenly, a chit-chat about the euro looks strangely attractive.

Eurogaffe

The European Commission lurches from gaffe to gaffe, the latest perpetrated by its ramshackle press service. An unsigned note calling for a new *"crisis" strategy towards the* press has been inadvertently distributed on the back of a dull press release about a European Court judgment.

The memo, written in French, urges members of the spokesmen's service not to become obsessed with the notion of "transparency". It explains: "A dose of cynicism – and sometimes hypocrisy – in distributing information is sometimes necessary ... the desire to explain everything often invites further interrogation."

Who wrote it? Everyone *suspects it's Jimmy Jamar*, Edith Cresson's luckless spokesman. Poor old Commission. Even when it dabbles in the art of media manipulation, it manages to mess it up. Perhaps Peter Mandelson, the former British minister known for his spin-doctoring powers but who had to resign under a cloud, might fancy a spell in Brussels?

Number's up

Music to the ears of "hackers". The latest research into personal computer passwords makes *alarming* reading for corporate information technology departments. A survey conducted in Britain by Shuttle Technology IT group shows that 15 per cent of users choose their date of birth as their password and 49 per cent select their partner's name – or the name of their children or pets. Of the *men, one in five choose their* favourite football team.

Eighty per cent justified choosing simple passwords because they were afraid they would forget more complex words or number combinations. And some admitted having the same password for everything from their computer and credit cards to gaining access to bank accounts. A sort of "one-stop shop" for high-tech thieves.

Closed Gates

It turns out that US-based *chassis maker TRW* enjoys the presence of one Robert Gates on its board. That's the same Robert Gates who, since May 1996, has been sitting on the board of Anglo-American components group LucasVarity, now subject to a bid from TRW.

He also happens to be a former director of the US Central Intelligence Agency and assistant to the president of the United States. A non-executive director at LucasVarity, it goes without saying that he took no part in the takeover talks that ended with the bid announcement. Corporate espionage? That's for beginners.

Losing a fortune

The days when a few hundred million dollars could go astray at Brazil's Central Bank without anyone noticing are gone. Last week, the bank said it had made *a bit of a mistake in counting the* billions of dollars that poured out of the country as investors pulled the plug on the Real.

Instead of losing \$538m on one particular day, red-faced officials admitted that "only" \$339m had left the country. It's still not clear what happened, but Altamir Lopes, head of the Central Bank's economic department, reckons someone had cancelled a major order – but didn't tell them.

When Brazil was beloved of international investors pumping in millions of dollars, this happened *quite a lot. Sighs Lopes*: "Nobody ever noticed because there wasn't all this excitement about the exchange rate." Tough business, banking.

Bosch nosh

Finding famous Belgians has never been easy. But Belgo, the Belgian *moules et frites* restaurant chain which has just opened its first venue in New York, has admitted defeat.

The only genuine native artists Belgo could find to stick on its East Village walls were Breughel, Magritte and Hieronymus Bosch. Making up the numbers are cyclist Eddy Merkx, "Muscles from Brussels" actor Jean-Claude Van Damme and singer Plastic Bertrand. So where's Hercule Poirot?

The Financial Times

100 years ago

The Dual Monarchy's Trade
Our Paris Correspondent draws a gloomy picture of the *declining foreign trade of* Austria, which, he says, is suffering greatly from American competition. Probably also the excessive industrial development of Germany and the price-cutting which naturally accompanied it has exercised a very bad effect upon the Austrian export trade. The annexation of Cuba by the United States will interfere with another market of Austria-Hungary, and altogether the trade outlook of the Dual Monarchy is far from bright.

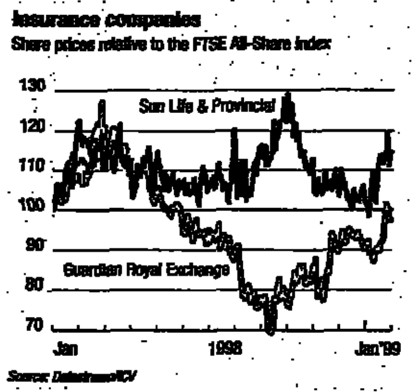
50 years ago

Japanese Textile Competition
Manchester, Jan. 30. The urgent need for increased output of cloth from Lancashire [England] weaving sheds, and of overcoming the bottleneck in printing of cloth, is underlined by news that Manchester shippers are having to buy Japanese printed and dyed goods to satisfy [British] Colonial markets. Previous purchases from Japan have consisted of grey cloth to be printed and finished here for export.

FINANCIAL TIMES
MONDAY FEBRUARY 1 1999

THE LEX COLUMN

Real trouble



Brazil is spiralling out of control. Despite several increases in official interest rates, the Real has lost over 40 per cent of its value in two weeks – on Friday bursting through the two-per-dollar level. More than $8bn of foreign currency fled the country in January. Analysts now expect inflation to rise from virtually nothing to 30 per cent this year. In this febrile environment, destabilising rumours – such as the notion than the government is going to freeze bank accounts – are flying around.

The essential task is to limit the inevitable rise in prices to a one-off adjustment. Otherwise, Brazil will be back to hyperinflation. This means a new, transparent monetary policy, including an inflation target. It also means a tighter fiscal policy and an acceleration in the privatisation programme. The International Monetary Fund, now in heated negotiations in Brazil, should insist on this and not just dole out another large tranche of its cash.

Beyond that, Brazil needs to tackle its Achilles' heel: the crippling burden of R$320bn of short-term domestic debt. With no need any longer to defend the currency, the IMF's cash could be used both directly to cut short-term debt and as a carrot to persuade the private sector to reschedule its loans.

But even if Brazil and the IMF can put together a new blueprint, they will still have to convince the markets that it can be implemented successfully. To the extent that devaluation has scared Brazil's politicians, this may have become easier. The alternatives of hyperinflation or a forced debt restructuring are even worse.

US economy

The US economy's resilience is marvellous to behold. Rather than slowing down, it appears to be speeding up. Fuelled by a rebound in exports and continued strong consumer spending and business investment, fourth-quarter gross domestic product jumped by 5.6 per cent. For the year, the economy grew at 3.9 per cent, just as fast as in 1997, while inflation and unemployment remain at record lows.

How long can this strength persist? With the household savings rate at zero, consumer spending is unlikely to keep growing at more than 4 per cent a year. The same goes for companies' capital investment, which soared 21 per cent in the fourth quarter. Both depend, at least to some extent, on further stock market gains. Merely flat share prices, even at this high level, may not be enough to sustain them. That means there is more than ever riding on the continued health of US equities, which could be derailed by an external shock.

And there are plenty of potential culprits, not least a further deterioration in Brazil. The bravura performance of the US has certainly been a boon in a slowing world. But as a result, the global economy is even more vulnerable to a setback there.

Japanese M&A

Generations of *gaijin* (overseas) investment bankers have been through Tokyo, their prophesies of a flood of takeovers by foreigners unfulfilled. But at last their predictions look like coming true. The difference now is that the pain in the financial sector is spreading to Japan's industrial core. Heavily geared, facing negative cash-flow and deprived of capital from the banks as well as capital markets, many Japanese companies are for the first time considering foreign companies as possible rescuers. Even three years ago, it would have been unimaginable for foreigners to buy half of Nissan, the country's second biggest car maker. Now the idea barely raises a shrug.

But barriers remain. Hostile takeovers are impossible because of the impenetrable cross-shareholding system. As for friendly deals, there is a mismatch between buyers and sellers. In drugs, many foreign groups want to buy, but targets are not under enough pressure to sell.

In retailing, there are plenty of sellers but no buyers – at least not at the prices on offer. Price is also a stumbling block because off-balance sheet debt makes valuing targets' liabilities difficult. But the most intransigent issue is management control. Japanese executives still have unrealistic expectations of controlling businesses they have mismanaged for years. The pain may have to get worse before many Japanese managers will swallow that bitter pill.

Axa/GRE

Guardian Royal Exchange has hardly secured a premium price by auctioning itself off. Sun Life and Provincial's offer of 388p a share works at only 1.2 times net asset value. That is even worse than the multiple of 1.3 that Gan, the tattered French insurer, achieved last year. Perhaps, though, that just rams home what a ragbag GRE was. It may have proved hard to get a sizzling auction going precisely because nobody really wanted the whole caboodle. And, indeed, GRE is now being broken up – with Liberty Mutual buying the US businesses and Axa, Sun Life's parent, taking on everything else outside the UK and the Irish Republic.

Axa/Sun Life's victory is a harsh lesson to Royal & Sun Alliance. In terms of pure industrial logic, its bid made the most sense as large duplicated costs could have been stripped out. But its credibility with investors is still suffering from its botched merger – so much so that shareholders have handicapped it in its pursuit of GRE. Now it has not only failed to win that prize, it also faces tougher competition from the new Sun Life/GRE.

Sun Life, by contrast, is riding high. That has been a huge boon. Netting out the £1.7bn it will recoup from selling on bits of GRE it does not want, nearly 70 per cent of the £1.9bn purchase price will be paid in highly-rated shares. Other companies should note: credibility with investors can be the decisive factor separating success from failure.

BARSHEFSKY STRESSES PUSH FOR LIBERALISATION OF WORLD TRADE

US pledges to ignore calls for limitations on imports

By Guy De Jonquières in Davos

Charlene Barshefsky, US trade representative, yesterday pledged to stand firm against domestic pressures to erect trade barriers.

"It would be playing with fire for Americans to think or move in that direction," she said in an interview at the World Economic Forum in Davos, Switzerland.

"The last thing on the face of the planet that the US should be doing or considering is artificial limitations on imports."

She said the US was determined to strengthen its commitment to multilateral trade rules and to combat growing protectionist demands by pressing ahead with a comprehensive new round of talks to liberalise world trade.

The success of a new round would depend on intensified co-operation between the US and the European Union. But the US would find it harder to phase out its unilateral trade weapons if the EU continued to defy World Trade Organisation rulings against it.

The US claims the EU has failed to comply with a WTO ruling against Europe's banana import regime. Under threat of US sanctions on EU imports, the EU has agreed to have the WTO again examine its regime, which has been modified.

Ms Barshefsky's comments reinforced the more emollient US attitude to trade issues, spelt out on Friday by US vice-president Al Gore.

Although the US would enforce vigorously its laws against unfair trade practices, notably "dumped" imports, US president Bill Clinton's administration aimed to end unilateral use of Section 301 trade legislation that authorises sanctions against trade partners.

The EU, which says Section 301 has been used to bully other countries, is challenging the law in the WTO.

However, Ms Barshefsky said that unless the EU implemented vigorously WTO rulings against its banana import regime and its ban on hormone-treated beef, it would be hard to persuade the US congress and business to rely on the WTO, rather than on Section 301, to settle trade disputes.

"From a strategic point of view, if Europe is concerned about US unilateralism, then it must comply with these rulings," she said.

Ms Barshefsky last week reinstated "Super 301" powers to monitor other countries' trade practices, a move attacked by Japan. But she insisted yesterday that the use of such powers would conform strictly with WTO rules.

She said she had persuaded Mr Clinton to support a trade round last month because she was concerned by rising protectionist demands in the US and by signs that other countries, notably in Latin America, were retreating from their commitment to free trade.

"I am very worried about the world sliding backward. I don't like what I see. The US has to be in a position to say, don't even think about moving backward. Our perception is that we should be moving forward," she said.

Reform differences, Page 5

Palestinian deputies oppose May declaration of statehood

By Judy Dempsey in Jerusalem

Yassir Arafat, president of the Palestinian Authority, has been told by his legislative council to scrap plans for declaring a state on May 4 and instead start preparing for statehood by introducing institutional reforms.

During a closed session of the Palestinian Legislative Council – the de facto parliament – more than 80 per cent of deputies opposed a unilateral declaration, saying Palestine was not ready. They argued that Israel would use such a declaration as an excuse to cancel final status talks.

The decision is not binding on Mr Arafat but puts him under political pressure to abide by it.

These talks would focus on the most complex issues of the Israel-Palestinian conflict, involving the status of Jerusalem, the future of the Jewish settlements in the West Bank, water and refugees.

They were supposed to start last November as part of October's Wye peace accord. But the accord has been frozen for nearly two months after Benjamin Netanyahu, Israeli prime minister, refused to carry out a second handover of land to the Palestinians, claiming Mr Arafat had not co-operated on security.

The PLC session, held 10 days ago, was the first time Mr Arafat heard and, according to officials, accepted why it was unwise to declare a state unilaterally.

Deputies said neither the US nor the European Union would recognise the new state, although Washington might support a state if declared next December.

Mr Arafat, in Davos, Switzerland, to attend the World Economic Forum, will meet US president Bill Clinton in Washington this week. He has already been advised by the US and European Union to wait another few months before declaring a state. Diplomats are concerned a unilateral declaration would be untimely, given that Israel holds elections on May 17. "Any [Israeli] party could use the declaration to its advantage," said a diplomat.

Israel, they added, could use the declaration as an excuse not to hand over any more land, making the Palestinian state an unviable patchwork of cities, towns and villages cut off from each other by settlements and the settlers' by-pass roads. Mr Netanyahu has threatened to retake Palestinian cities.

Palestinian officials, however, also believe the Palestinian Authority is far from prepared to declare a state. Those involved in the debate said reforms must first be introduced to underpin the new country.

There was, they said, no constitution that – among other things – would delineate Mr Arafat's powers. There was no separation of powers between the executive and arms of government, no independent judiciary and no checks and balances on the security forces.

CONTENTS

News

American News 3
European News 2
International News 4
World Economic Forum 5
UK News 6
Weather 14

Features

Guide to the Week 34
Inside Track 7-10
Arts 11
Editorials 13
Letters 12
Observer 13
Crossword Puzzle 34

Strobe Talbott, US deputy secretary of state, and Jaswant Singh, India's foreign minister, expressed satisfaction at talks on nuclear issues. Page 4

Companies & Finance

News 15-21
Companies in this issue 15
Global Investor 15
International Bonds 18
FT Guide to World Currencies 20
Emerging Markets 20
Markets Week 22
New International Bond Issues 22
Companies Diary 22
Money markets 24
Recent Issues, UK 22
London share service 26,27
Managed funds service 28-30
World stock markets 31
FT/S&P-A World indices 31
New York Stock Exchange 32,33
World markets at a glance 33
Biggest movers 33
Economic Diary 34

Survey

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FT WEATHER GUIDE

Europe today

The extreme cold over northern Scandinavia is abating, but there will be snow, turning to rain in the south and west, as north-west Europe begins to turn milder. Wintry showers are possible as far south as northern Italy and Greece. To the south and across the eastern Mediterranean, there will be heavy showers or thunderstorms. Scattered rain in the west will die away, and much of the Iberian peninsula will be sunny.

Five-day forecast

North-west Europe will become milder, with rain pushing southwards only towards the end of the week. Northern Scandinavia will stay wintry, but the west and south will become mild and wet. Eastern Europe will stay cold with fog patches, but snow showers will return by the weekend. The Mediterranean will stay showery.

Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	22
Accra	Fair	32
Algiers	Hail	10
Amsterdam	Drzzl	8
Athens	Shower	9
Atlanta	Shower	14
B. Aires	Thunder	23
B.ham	Cloudy	7
Bangkok	Fair	31
Barcelona	Sun	10
Beijing	Fair	2
Belfast	Cloudy	10
Belgrade	Snow	-1
Berlin	Rain	4
Bermuda	Shower	17
Bogota	Fair	21
Bombay	Sun	29
Brussels	Drzzl	6
Budapest	Fair	1
C.hagen	Cloudy	4
Cairo	Sun	25
Caracas	Fair	28
Cardiff	Cloudy	9
Casablanca	Fair	15
Chicago	Fair	7
Cologne	Rain	6
Dakar	Sun	24
Dallas	Sun	18
Delhi	Sun	18
Dubai	Sun	25
Dublin	Cloudy	10
Dubrovnik	Fair	8
Edinburgh	Fair	8
Faro	Sun	14
Frankfurt	Sleet	3
Geneva	Fair	-3
Gibraltar	Fair	14
Glasgow	Cloudy	8
Hamburg	Rain	6
Helsinki	Snow	-3
Hong Kong	Fair	23
Honolulu	Fair	25
Istanbul	Shower	5
Jakarta	Thunder	31
Jersey	Cloudy	9
Johannesburg	Thunder	25
Karachi	Fair	27
Kuwait	Sun	20
L. Angeles	Fair	16
Las Palmas	Fair	20
Lima	Cloudy	27
Lisbon	Sun	12
London	Cloudy	8
Lux.bourg	Sleet	1
Lyon	Fair	-1
Madeira	Fair	18
Madrid	Sun	10
Majorca	Shower	10
Malta	Hail	10
Manchester	Fair	9
Manila	Sun	29
Melbourne	Fair	32
Mexico City	Fair	24
Miami	Fair	26
Milan	Sun	4
Montreal	Sun	-2
Moscow	Snow	-8
Munich	Snow	-2
Nairobi	Fair	28
Naples	Shower	7
Nassau	Fair	26
New York	Fair	6
Nice	Sun	12
Nicosia	Fair	20
Oslo	Sun	-1
Paris	Fair	5
Perth	Sun	29
Prague	Snow	1
Rangoon	Sun	34
Reykjavik	Rain	8
Rio	Thunder	31
Rome	Fair	5
S. Frsco	Fair	11
Seoul	Sun	3
Singapore	Thunder	30
Stockholm	Fair	2
Strasbourg	Sleet	0
Sydney	Thunder	26
Tangier	Fair	14
Tel Aviv	Sun	24
Tokyo	Shower	11
Toronto	Fair	1
Vancouver	Rain	6
Venice	Sun	5
Vienna	Snow	-2
Warsaw	Snow	-2
Washington	Cloudy	7
Wellington	Sun	18
Winnipeg	Snow	0
Zurich	Fair	-2

صفحة من الارشيف

FINANCIAL TIMES
COMPANIES & MARKETS
MONDAY FEBRUARY 1 1999 Week 5

INSIDE

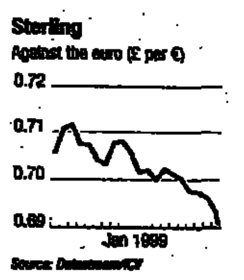
OptiMark trading system goes live

OptiMark, a revolutionary electronic share-trading system, has traded its first batch of shares. OptiMark automatically matches buyers and sellers via a patented computerised algorithm, in trading cycles performed every two to 10 minutes. The company believes that by guaranteeing investor anonymity and reducing trading costs, it will tap a vast pool of hidden trading demand. Page 18

The prince and the film company

When Prince Muhammad Bin Bandur Abdul Aziz, one of the more obscure members of the Saudi royal family, expressed interest in buying PolyGram Filmed Entertainment last summer, no-one believed him – least of all Seagram, the Canadian entertainment and drinks company that is selling it. But it is taking him seriously now, after he placed $50m in an escrow account as a deposit on the deal. Page 21

Interest rates in the spotlight



Currency markets are likely to focus on prospects for further monetary easing. The Bank of England, the European Central Bank, and the US Federal Reserve are all meeting this week to decide on interest rates. The Bank of England is expected to announce a cut in rates, while the Fed and the ECB are expected to leave rates unchanged. The Brazilian Real, which plummeted to new lows last week as foreign currency continued to pour out of the economy, is likely to keep dealers edgy. Page 24

Argentina feels the heat from Brazil

Argentina is bracing itself for the fall-out from the Brazilian devaluation of the Real. The Argentine economy was already slowing sharply through the second half of last year and many private sector analysts have reduced their 1999 growth forecasts to zero. However, the stock market has so far taken the battering of bad news better than some had feared. Page 20

Pfandbrief sector reinvents itself

Germany's famously insular Pfandbrief market – bonds backed by mortgages and public sector loans – is re-inventing itself as a truly international market, demonstrated by DePfa Bank's launch last week of a global €3bn ($3.4bn) Pfandbrief bond. Page 18

Jo'burg to move to electronic trading

The Johannesburg Stock Exchange is to undertake a complete overhaul of its settlement system and begin switching to paperless trading later this year to end a chronic backlog of unsettled trades and improve its reputation for transparency and efficiency. Page 20

Tokyo market set to slip

The Tokyo stock market may be pushed down over the next few weeks as companies revise down earnings estimates and begin to unwind cross shareholdings before the March year end, says Garry Evans, strategist at HSBC. Page 22

FT GUIDE TO THE WEEK

– full listings Page 34

US OPEN MARKET COMMITTEE MEETS
The Federal Reserve's open market committee begins a two-day meeting in Washington to review US interest rates tomorrow. The committee, chaired by Alan Greenspan, is not expected to raise rates, in spite of indications at the end of last week that the US economy is continuing to grow strongly.

LAUNCH OF THE DUST COLLECTOR
Nasa is scheduled to launch its Stardust mission, the next stage of its Discovery project, on Saturday. It aims to collect a sample of comet dust and return it to earth in 2006.

SNOW BUSINESS
The 50th snow festival opens on Thursday in Sapporo, Japan, where 20 countries compete to produce the best ice sculpture.

COMPANIES IN THIS ISSUE

Azkar	21	News Corp Europe	15
BNP	17	North	21
Biovector Th'peutics	18	Oneximbank	17
Crédit Lyonnais	17	PFE	21
Eletrobrás	15	Paccar	17
Fitic	20, 15	Paribas	17
Gitic	20, 15	Phytera	18
JDS Fitel	17	Scania	17
Kellogg	18	Seagram	21
MAN	17	Sega	20
MIM Holdings	21	Société Générale	17
Merrill Lynch	15	Telecom Italia	15
MorphoSys	18	Texas Utilities	17
NBG	21	Uniphase	17
Navistar	17	Volvo	17
		Wester/Kinetik	17

MARKET STATISTICS

Base lending rates	24	Foreign exchange	24
Benchmark Govt bonds	24	London recent issues	22
Companies diary	22	London share service	26, 27
Dividends and company mtgs	23	Managed funds service	28-30
FT/S&P-A World indices	31	Money markets	24
FT Gold mines index	22	New intl bond issues	22
FT Guide to currencies	20	Stock markets at a glance	33

Banks cut credit to Chinese trust

Fujian investment company squeezed as foreign lenders retreat in the wake of Gitic closure

By James Harding in Fuzhou

Foreign banks have cancelled provisional credit lines worth $100m to a leading Chinese trust and investment company, underlining the severity of the credit squeeze facing corporate China's overseas borrowers.

Fujian International Trust and Investment Corporation (Fitic) has been forced to renegotiate payment schedules on three international bank debts, as foreign lenders have withdrawn loan quotas and caused a "relatively difficult liquidity situation", according to a senior company official.

China's international trust and investment companies – known as Itics – have been starved of credit since the closure of Guangdong International Trust and Investment Corporation (Gitic), a provincial government-backed investment agency with debts of $4.37bn, sent foreign banks into retreat from corporate Chinese risk.

In an interview, Xin Shimin, vice chairman of Fitic, the investment arm of the Fujian provincial government, said foreign bankers' fears of further Itic closures would make it impossible for the company, as well as any other provincial Itics, to borrow abroad this year and possibly next.

Foreign lenders have thought "the closure of Gitic was the beginning of a Chinese financial crisis . . . they thought all the Itics would be closed," Mr Xin said, explaining the refusal of overseas lenders to extend fresh credit in the wake of the Gitic closure in October.

But, he reassured international lenders that such concerns were misplaced. "Gitic was a special case. We are a normal case," he said, adding that both the Fujian provincial governor and Zhu Rongji, the prime minister, had signalled the government's continuing support for the company. "Fitic will definitely not be closed," he said.

The future of other trust and investment companies in Fujian, a relatively wealthy trading province on China's eastern seaboard, was less certain. Of the 11 Itics in Fujian, only two or three – including Fitic and Xiamen Itic – are expected to be left after the planned restructuring, he said.

The Itics, which have estimated foreign debt of about $15bn, are tiny by comparison with China's big four banks, but they have been some of the most prominent Chinese borrowers from foreign banks and an important channel of foreign funds into infrastructure projects.

Fitic, which has assets of RMB11bn ($1.3bn), has two outstanding global bond issues – a $100m Yankee bond due 2007 and a Y14bn ($122m) Samurai bond due 2006 – as well as foreign bank debt of $280m, of which $30m is short-term. Restructuring has already made more than RMB400m in funds available, so "there will be no difficulty in making payments on foreign loans," Mr Xin said.

Fitic fights backlash, Page 20

Merrill pays $100m to settle dispute with Belgium

By Richard Waters in New York and Jim Kelly in London

Merrill Lynch, the US investment bank, has paid the Belgian government around $100m to settle a dispute over currency derivative transactions it undertook with the country's Treasury.

Though kept largely under wraps, the dispute, which dates from the early 1990s, resembles the public row over currency derivatives between Bankers Trust and Procter & Gamble. That case ended in Bankers Trust paying $150m and led to an overhaul of the bank's senior management.

Merrill and the Kingdom of Belgium yesterday confirmed they had resolved their derivatives dispute last year, though no statements were made at the time. Merrill is believed to have paid $100m to cover some of the losses the country suffered on the currency options contracts. Belgium had been seeking $300m.

News of the settlement will come as another black eye for Merrill, which last year paid $420m to settle claims from Orange County, the Californian local authority which filed for bankruptcy in 1994 after its dabbling in the derivatives market came unstuck during that year's bond market upheaval.

The US bank refused to discuss details of its derivatives dealings with the Belgian Treasury, but said it had "conducted this relationship properly and professionally and this resolution does not imply otherwise".

The dispute was tied to losses Belgium suffered on so-called "power options" – a form of derivative which multiplies potential profits and losses using currency options and swaps.

Initially, the Belgian government is believed to have profited from the trading but the currency fluctuations after the European currency crisis of 1992 brought about a sharp reverse. At one point, potential losses on paper are thought to have stood at $1.2bn.

Like Procter & Gamble, which accused Bankers Trust of not disclosing the full risks in the currency derivatives it bought, the Kingdom of Belgium claimed it had been misled about the power options by Merrill salespeople.

Italian ruling may limit Murdoch pay-TV soccer

By James Blitz in Rome

The Italian government is to limit the rights of any one pay-TV organisation to broadcast Serie A soccer, in what will come as a blow to Rupert Murdoch's plans to broadcast all matches played in Italy's top league.

A decree passed by the Italian cabinet means that no organisation can own the rights to broadcast more than 60 per cent of Serie A matches from next year. Mr Murdoch's subsidiary News Corporation Europe had been bidding to acquire all rights to broadcast the football championship between 1999 and 2005.

The new decree also proposes that, if only one pay-TV company bids for the acquisition of broadcasting rights for Serie A matches, the contract can only last a maximum of three years.

Mr Murdoch had been planning to buy up to 80 per cent of Stream, Telecom Italia's pay-TV unit, using the company as the vehicle to broadcast Italian football. The new measure could now derail plans by Stream to mount an effective challenge to Telepiu, the Italian market leader in Italian pay-TV and a unit of Europe's number one pay-TV network, Canal Plus.

Analysts believe that the government's decree is mainly aimed at preventing Mr Murdoch getting a grip on the Italian TV market. But Italy's communications under-secretary, Michele Lauria, said the decree was "not aimed at favouring or hurting anyone". He added: "We could not let one company gain the exclusive rights in a leading sector in such a delicate phase for Italy's pay television."

The decree has triggered controversy in Italy. The Italian Soccer League has warned that the decree impedes competition and discriminates against soccer clubs, several of whose chairmen may challenge it.

Italy's opposition parties also attacked the move. "It is a mark of arrogance to use a cabinet decree for complex competition legislation in the field of sporting rights. Such a move is neither timely nor logical," said Paolo Romani, Marco Follini and Mario Landolfi, spokesmen on communications policy for the opposition Freedom Alliance.

Target man: Gabriel Batistuta, star of Serie A side Fiorentiana, celebrates a goal Reuters

Brazil plans to privatise Eletrobrás this summer

By John Barham in São Paulo

Brazilian officials say they intend to privatise Eletrobrás, the government's electricity holding company, this summer in spite of the country's economic turmoil since the Real collapsed two weeks ago.

Ipio Borges, head of the government's BNDES development bank, which manages Brazil's privatisation programme, said he planned to start privatising the federal government's 70 per cent stake in the three main generating assets of Eletrobrás in July.

The BNDES would break these companies into nine operating units by the end of May and publish tender documents by June. He hoped to complete the sales by August.

An investment banker advising the government on the privatisation said: "These are fantastic assets and they will be sold whatever happens. If there is still [market turbulence] all the government have to do is slap a minimum price on [the companies] and go ahead anyway."

He said he expected strong international demand for these companies, even though recent privatisation auctions have not attracted great interest. Analysts fear inflation could erode revenues at utilities, because regulators only review tariffs once a year.

Mr Borges said the Eletrobrás companies would be sold with about R$6.2bn ($3.1bn) in debts on their balance sheets. Roughly 40 per cent of the companies would be sold to strategic investors, who would hold most of the voting stock, and 30 per cent would be sold in the market. The remaining 30 per cent of the companies is already traded in Brazilian stock markets.

The Eletrobrás transactions will probably be among the largest of several state and federal privatisations planned for this year which officials hope will raise about $20bn.

The largest of the three Eletrobrás units, CHESF, which covers the less developed north-east, will be divided into three transmission units and one generating company. Furnas, which supplies the prosperous south-eastern region, will be split into two new generating companies and one transmission company. Eletronorte operates in the remote northern region and its generating and transmission activities will each be hived off into a single unit.

Lex, Page 14

PAUL ABRAHAMS
GLOBAL INVESTOR

Managers behaving badly

International investors expecting an end to Tokyo's nine-year bear market have had a frustrating 12 months. Since January last year, the Topix index of all first section shares on the Tokyo stock exchange has, in dollar terms, underperformed the S&P Composite by 30 per cent and the FTSE Eurotop 300 by 13 per cent. In local terms, the Topix has basically been static, while the yield remains a parsimonious 1 per cent. It is not an impressive return for foreign investors in the world's second largest economy.

Such a performance should be no surprise. After all, since 1991 when foreigners became net buyers of the Japanese market, they have invested a cumulative Y25,390bn ($227.8bn). Over the same period, the Topix has fallen 35 per cent. Nevertheless, there remain optimists who believe the market is undervalued.

However, on a price-earnings basis – and I suppose there are still investors using such criteria – the market looks, on the contrary, overvalued. On a trailing basis, the Topix is trading at 173 times earnings. Stripping out the financials – after all, those Japanese banks are in a mess so they should not be included – the market is trading at about 60 times earnings, which hardly appears a bargain. And most international brokers are predicting earnings will fall over the next 18 months. HSBC Securities forecasts pre-tax profits excluding exceptionals among non-financials will plunge 35 per cent this fiscal year, and 16 per cent next year.

True, cash flow valuations appear more generous. If depreciation is added back in, the market is trading at about 12 times cash flow. Assuming that at some point depreciation falls sharply, the market, in theory, should benefit from the additional cash generated either through higher dividends or share buy-backs.

But this argument is based on erroneous assumptions. Firstly, depreciation is unlikely to fall fast any time soon. Although four consecutive quarters of negative economic growth have resulted in high inventories and plunging output, Japanese companies continue to overinvest. In Japan, purchases of new equipment and plant still account for about 14 per cent of GDP. In the US, where the economy is probably near its peak this cycle, the equivalent is 9 per cent.

The problem is that Japanese companies just cannot rid themselves of the unfortunate habit of investing in non-economic projects that destroy value. Even if they stopped overinvesting, there is so little commitment to shareholder value that increasing the dividend or buying back shares in large quantities is simply not on the agenda. The most persuasive valuation method looks to be price-to-book. The market is trading at about 1.7 times book value. The argument goes that the book value of assets such as land acquired during the 1960s and 1970s does not reflect true value, even after the property crash.

There are two problems. First, most of these assets are not realisable. In the industrial sector, there is no market for the sites of steel plants and petrochemical complexes. If Japanese groups tried to realise their commercial sites on any scale, the additional supply would ensure that property prices plummeted. Second, although many operating assets may, in theory, be undervalued on the balance sheet, the ability of incumbent management to generate returns on them is minimal.

Japanese stocks will look better value only when Japanese companies are better managed. The list of groups paying attention to investors, restructuring portfolios, cutting costs and investing in projects with positive net present values is short. It includes Sony, Takeda, Kao, and Hoya. The problem is that they are not cheap and, respectively, foreigners own 45 per cent, 23 per cent, 23 per cent and 19 per cent already.

In Japan, there is no method of replacing bad managers, no matter how incompetent. Shareholder activism is a sad joke and the system of cross-shareholdings prevents hostile takeovers. Until there is a transformation in Japanese managers' priorities, there is little chance of a sustained rally.

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INVESTMENT VENTURE WITH SERCO TO BID FOR SERVICES SUCH AS LONDON UNDERGROUND AND AIR TRAFFIC CONTROL

Nomura sets up £1bn infrastructure fund

By Arkady Ostrovsky

Nomura International, the European arm of the Japanese investment bank, has set up a £1bn infrastructure fund with Serco, the UK engineering company, to bid for public infrastructure projects.

The Serco Nomura Infrastructure Fund is the latest addition to Nomura's Principal Finance Group, which specialises in financing acquisitions. Nomura said the fund – which will focus on public-private partnerships – has been set up to bid for services such as London Underground and Air Traffic Control, should the government decide to privatise them.

Nomura would provide the funding for a bid while Serco would run the project.

PFG has financed the acquisitions of the Ministry of Defence housing business, of Thorn, a consumer goods rental company, William Hill's 1,500 betting shops and more than 6,000 pubs.

Nomura would usually keep an acquisition for between five and seven years before flotation or resale.

"Nomura will underwrite the financial risk of taking on large infrastructure projects," said Guy Hands, managing director of Nomura International's Principal Finance Group, who started the business.

"This fund will combine financial resources with Serco's operational expertise. There is an international trend towards outsourcing facilities management."

Serco, an international systems engineering group, runs services such as London's Docklands Light Railway (DLR), the UK's four-minute warning defence systems, and Australia's Great Southern Railway.

"Our presence in the Asia Pacific region coincides with a clear desire by federal and state governments to develop their own public-private partnerships in a similar vein to the UK," said Richard White, the chief executive of Serco.

The PFG, which has pioneered securitisation business in London, is one of Nomura's most profitable, aggressive and high-profile international business.

The aim of the PFG is to take much of the potential benefit of a successful takeover or privatisation, while passing the risks to outside investors.

Nomura's standard model is to make an acquisition and switch the assets into a separate holding company, which issues short-term bonds to refinance the purchase. The assets are effectively turned into securities.

UK groups play the role of targets in cut-throat consolidation

Andrew Bolger investigates the developments behind the French insurer Axa's negotiations to add GRE to its portfolio

The acquisition of Guardian Royal Exchange by Axa, the French insurance group, could both continue the process of cross-border consolidation sweeping the European insurance industry and sharpen competition in the cut-throat British general insurance market.

Axa, which vies with Allianz of Germany to be Europe's biggest insurer, says the launch of the euro has strengthened its desire to bring its European businesses together to create a single identity.

Claude Bebear, chairman, says: "Our domestic market is no longer France, it is really the whole European market."

Axa already controls a UK composite insurer, Sun Life and Provincial Holdings, which is mainly in the life insurance and pensions sector.

However, the French group has made it clear that it wanted to expand its UK presence and did not share the market's hostility to general insurance, covering motors and property. This has been suffering recently from overcapacity and the entry of cheaper direct-sales operations, resulting in weak premiums and underwriting losses.

Although Axa would be unable to take as many costs or jobs out of GRE as a British rival such as Royal & Sun Alliance, it is confident it can improve the the group's general insurance underwriting, which has deteriorated as it struggled to maintain market share.

A man who would take on a leading role in sorting out GRE's general insurance business is Andy Homer, chief executive of Axa Insurance, Sun Life and Provincial's general insurance subsidiary.

He was poached last year from his position as head of the London insurance market operations of CGU, the composite insurer formed by the merger of Commercial Union and General Accident.

Mr Homer, said then that he was joining a company that was aware of the importance of global branding and prepared to back its ambitions with financial clout.

Axa confirmed its brand-building intentions last summer with its announcement that it would spend £40m over four years as the new commercial sponsor of the FA Cup, a deal that would raise its profile in the UK and bring its name in front of the worldwide audience that watches the FA Cup final.

When Mark Wood, chief executive of Sun Life and Provincial, last month announced Mr Homer's promotion he said: "Andy has made an immediate impact on our property and casualty insurance business since his appointment as chief executive of Axa Insurance in the summer, and his appointment to the board means that we will be able to benefit from his strategic thinking across the whole of our group in the UK."

Regardless of how Axa fares with GRE, the bidding war for one of the venerable names in British insurance has thrown a harsh light on its domestic competitors.

When, following an approach by Axa, GRE said in November that it would consider offers for all or parts of its business, a variety of big insurers expressed interest, including CGU, Germany's Allianz, and Allied Zurich, the product of last year's merger between Zurich Group of Switzerland and the financial services arm of BAT Industries.

However, when the bidding came to a climax this weekend, there were only three serious bids on the table and only one of those was from a British company: Royal & Sun Alliance.

Royal & Sun's own offer faltered because the GRE board were dubious about the shares element of its shares and cash offer. Robert Mendelsohn, an American, was appointed chief executive a year ago after the merged group's cumbersome board structure proved untenable, but the market was clearly nervous about whether the company could digest another sizeable acquisition. Royal & Sun's shares had already fallen 5 per cent and GRE feared that they would fall further if a deal was announced.

The outcome suggests that UK companies are worth more to European companies seeking to build transnational operations than they are to their domestic competitors, even though they all want to reduce the British industry's overcapacity and rebuild premiums.

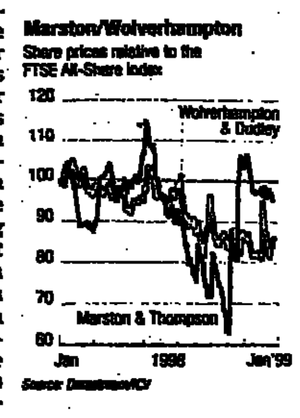
The European insurance industry is clearly shrinking but, so far, UK companies are playing the roles of targets.

Claude Bebear: group's domestic market is 'really whole European market' Brendan Corr

COMMENT

Marston/Wolverhampton

Investors in Marston, Thompson and Evershed will be staring into their pints for inspiration as Thursday's closing date approaches for Wolverhampton & Dudley's £290m bid. They have been treated to contrasting management strategies and to a rare "Pacman" defence involving Marston bidding for W&D. Both sides have put considerable amounts of cash on the table, but not enough to offer a clean exit from these underperforming companies. In weighing up the two managements, W&D deserves the most credit for its handling of a traditional pub portfolio. Marston's bosses are more comfortable talking about retail brands – such as their tiny Pitcher & Piano chain – than about their hundreds of established pubs. This looks out of step with concern about over-expansion of theme pubs. It also underplays the resilience of tenancies in more difficult times. On the brewing side, Marston has rightly questioned whether a regional company needs three sites. But if W&D fails to make decent returns, it can steal Marston's ideas. Investors left with a stake in an enlarged W&D might expect 2000 operating profits of about £100m, interest cover of three times and earnings per share of 60p-70p – an undemanding multiple of seven. This looks less risky than Marston's plan to take on more debt, close breweries and sell most of the pubs. Radical, but this management seems too keen on starting from somewhere else.



Competition policy

Stephen Byers is living up to his advance billing as potentially as pro-enterprise a trade and industry secretary as his predecessor, Peter Mandelson. He may not have made a final decision on removing government from the day-to-day business of vetting takeovers, but that is the way he is heading. And a healthy move it would be. As with setting interest rates – before that job was passed to the Bank of England – when ministers meddle with mergers political considerations can too easily trump what is best for the economy. There are some caveats, notably the need for the government to retain oversight of defence deals. But Mr Byers is being too protective by suggesting ministers should also be involved in newspapers deals. It is hard to think of a sector where party politics play a greater role.

GM not actively pursuing Nissan

By Richard Waters in New York

General Motors is not actively pursuing a takeover of Nissan and has no plans to top Ford Motor's offer for Volvo, according to Richard Wagoner, the US automaker's president and chief operating officer.

His comments, which will be broadcast in an interview with a BBC radio programme today, appear to douse some of the more heated speculation that has erupted in recent weeks about GM entering bidding wars for both automakers.

Asked whether GM would consider buying Nissan or a European company, Mr Wagoner said: "We have not given any serious consideration to that and I wouldn't anticipate that kind of move on our part."

Despite his comments, GM executives have indicated that international acquisitions could come to play a bigger part in the US company's attempts to expand in Asia. In an interview with the Financial Times recently, Jack Smith, chairman, said that such acquisitions would have been unlikely two years ago, but that the Asian crisis may have created opportunities to buy local producers.

The US company's push into the region was more likely to rely on its existing links with Suzuki and Isuzu, said Mr Wagoner. "I guess it would be inappropriate for me to rule out other things happening, but I have to tell you honestly, that there's not anything at all in any serious state of discussions or negotiations."

In an effort to boost the performance of its existing operations, meanwhile, GM has set a far more demanding set of targets for its top executives. These include tying executive pay more closely to the performance of the company and its stock price, and setting more ambitious profit goals.

The initiative marks GM's latest efforts to revitalise a management culture that has failed to deliver the sort of improvements that were hoped for when independent directors forced a shake-up of top management six years ago.

Barclays to cut £300m costs on retail operations

By Thorold Barker

Barclays, one of the UK's largest high street banks, is hoping to cut costs in its retail banking operations by more than £300m in a restructuring.

The savings – in a drive headed by John Varley, the retail financial services division's chief executive – will come from removing duplication in areas such as marketing and human resources, and are likely to lead to hundreds of job losses among its 60,000 staff over the next 18 months.

The retail banking operation, which is the most profitable area for Barclays, was reorganised on January 1 into two areas, catering for the mass market and wealthier customers. This replaces the old structure based around different products such as current accounts and savings accounts. Each was a separate business unit, with its own management structure and separate relationship with its customers.

Opportunities for cost cutting are especially significant in areas such a marketing, which employs about 200, human resources and back office transaction processing. There were no details of exactly where the losses would fall.

The review of costs, with the help of a "plethora of consultants", has just started and concrete results are not expected for some months. The moves are likely to be accompanied by attempts to reinvigorate the Barclays brand.

The bank is talking to advertising agencies to run a new campaign to promote the Barclays corporate brand, instead of its traditional focus on advertising each product individually.

It is also looking at ways of giving a "fresher look" to its blue logo, which has not changed for thirty years. The bank is testing a prototype branch in Stockport, which opened in November, and has a range of new facilities, including PC and telephone banking.

Investors are expected to welcome the changes. Barclays' shares have fallen from a high of almost £20 last year to £13.60 on Friday.

Traders ponder legal bid over Griffin collapse

By Vincent Boland

A group of independent traders on London's futures and options market will consider this week whether to take legal action to recover DM5m (£1.8m) relating to the collapse of Griffin Trading, a derivatives firm shut by UK regulators before Christmas.

The legal move is seen as the last chance the locals have to recover all their money from Griffin. It was shut down when John Park, an independent trader who used the firm to clear his trades, incurred losses of £6.2m investing in futures contracts on German government bonds.

Locals are seeking the return of DM5m from MeesPierson Frankfurt, the bank used by Griffin to clear transactions carried out on Eurex, the German/Swiss derivatives market where Mr Park made his losses. The money was transferred to the bank to meet a margin call on Mr Park's failed transactions. Locals insist it belonged to them and not Griffin, and should not have been used to meet the call.

Finbarr O'Connell of Grant Thornton, Griffin's liquidator, said he was "assessing whether there is a claim against MeesPierson or any other party". It is believed any legal move would hinge on that assessment. The bank could not be reached for comment. About 50 locals who trade for themselves on the London International Financial Futures and Options Exchange have had their livelihoods threatened since Griffin collapsed.

Their accounts with the firm were frozen by the Securities and Futures Authority, the regulator, and so far only about 10 of them have been able to raise new capital to continue trading.

Each trader is understood to have between £5,000 and £100,000 tied up in Griffin. They were told they would get half of their frozen money back within two months. But it is believed they could get all their money back if they secured the DM5m. "We have had favourable advice from our German lawyers," said Hugh Bryant, a partner at Williamson & Horrocks, the City law firm acting for the group.

AUTOMOTIVE INDUSTRY SWEDISH GROUP LOOKS BEYOND SCANIA FOR ACQUISITION

Volvo woos other truck companies

By Tim Burt in Stockholm

Volvo, the Swedish automotive group which last week agreed to sell its car division to Ford of the US for SKr50bn ($6.4bn) is in intensive talks with at least two heavy truck manufacturers about an acquisition that could double the size of its commercial vehicle operations.

Volvo has also made a separate approach to Scania, the Swedish heavy truck manufacturer that is controlled by Investor, the main holding company for Sweden's Wallenberg business empire.

"Discussions are being pursued at the highest levels," said one person familiar with the negotiations. Bankers close to Volvo have emphasised that the company has other options in commercial vehicles, apart from Scania. Of the other potential bid targets, it is thought that Paccar of the US and MAN of Germany rank highly for Volvo. Navistar, another independent US manufacturer, has also been named as a possible partner.

However, analysts noted that Seattle-based Paccar, believed to be controlled by the secretive Piggott family, had been on the acquisition – rather than disposal – trail and expressed surprise that the company might be up for sale. By contrast, MAN shares surged to €237.50 on Friday on speculation that MAN Nutzfahrzeuge, MAN's trucks subsidiary, might be on the block. However, the group, which also manufactures industrial and printing equipment, has consistently denied any plans to spin off its commercial vehicles.

Both Paccar and Navistar declined to comment.

Volvo is known to have approached MAN in the past, while a deal with Paccar would enhance its US presence. Paccar's Daf subsidiary would also provide a second European leg for Volvo. "We will do acquisitions and we intend to be aggressive to use our financial strength to develop our commercial side," Volvo said.

Talks with rival truck manufacturers have intensified after indications that Investor would seek SKr350-SKr375 a share for its near 45 per cent stake in Scania. Shares in the Swedish heavy truck group closed at SKr239.50 on Friday, valuing the company at SKr47.9bn.

Volvo earlier this month paid SKr5.2bn for a 13 per cent stake in Scania, prompting accusations from Investor that it was preparing a hostile bid. The Wallenberg group has also made clear it was in talks with other manufacturers about an alternative alliance.

"Consolidation is required in the truck industry but everyone wants to be buyers rather than sellers," said John Lawson, automotive analyst at Salomon Smith Barney in London. "There will be a clear correlation between price and availability." Other industry analysts warned that Volvo's position would not necessarily be strengthened by the proceeds from its car division disposal.

"They are seen as rather anxious buyers and that is not the easiest bargaining position to start from," said one analyst in Stockholm.

Following the disposal of the car division, Volvo's truck arm will become its single largest business. It is thought to have contributed profits last year of SKr2.9bn on sales of SKr62bn.

Expansion drive: Volvo could double its commercial vehicles arm

Paribas, SocGen 'talking on link'

By Samer Iskandar in Paris

Société Générale and Paribas, the French banks, have revived talks over a possible link, according to Le Figaro, the daily newspaper.

The news comes as speculation is intensifying that a long-awaited rationalisation of the country's banking industry is imminent.

Paribas, which is also believed to have been approached – unsuccessfully – by Banque Nationale de Paris, confirmed it was in "discussions with several French banking groups". SocGen could not be reached at the weekend.

Analysts believe Paribas's successful niche strategy in investment banking would complement the activities of larger retail banks such as SocGen and BNP, which have failed to challenge the dominance of large US investment banks.

Paribas is also France's largest participant in the consumer lending market, an activity that offers potential synergies with the banks' branch networks.

Paribas's future has been the subject of speculation ever since Axa, the insurance company that is its largest shareholder, pressed the bank's management late last year to make its strategy "more convincing". Rumours have associated it with BNP, in which Axa is also a large shareholder.

The choice of a partner for Paribas could also decide the future shareholding structure of Crédit Lyonnais, the bank due to be privatised in coming weeks after a state-backed rescue.

Axa, SocGen, BNP and Paribas have all expressed interest in taking stakes of more than 5 per cent in Crédit Lyonnais. Paribas, which sold its retail banking operation, Crédit du Nord, to SocGen last year, has an arrangement to sell some of its products through Crédit Lyonnais's branch network.

This month, Paribas announced a reorganisation of its activities around four core businesses: proprietary investments, investment banking, retail financial services and asset management. It also said it was aiming to expand internationally.

Texas group buys Victoria gas assets

By Gwen Robinson in Melbourne

Texas Utilities, the US power company, stepped up its involvement in Australia's deregulating power market yesterday with the A$1.6bn (US$1bn) purchase of natural gas distribution and retailing facilities from the state government of Victoria, in south-eastern Australia.

The sale price was well above analysts' expectations of A$1bn-A$1.2bn and reflected the high level of interest among foreign power groups in Victoria's sweeping power privatisation programme.

Victoria is the first state to auction its electric power and gas assets, and with yesterday's sale it has now raised more than A$24bn from energy sell-offs.

Analysts said the size of the deal could trigger a general reassessment of the valuation of Australian utilities. It demonstrated that bidders, mostly from the US and UK, were prepared to pay top prices for Australian utilities, said one Sydney-based analyst.

More significantly, it would encourage other governments to proceed with privatisation plans. Among them, the Western Australian state government is considering the sale of its gas utility, AlintaGas, later this year, probably for A$850m-A$1.1bn. The South Australian, Australian Capital Territory and New South Wales state governments are also trying to win political approval to sell various energy businesses.

After final bids closed on Friday, the Victoria government announced yesterday that Texas Utilities Australia beat four other bidders for Westar/Kinetik Energy, a gas distribution and retail company which services the state's western half. The utility combines the Westar gas distribution network with the Kinetik Energy gas retailing business.

Westar/Kinetik was the first of Victoria's three gas utilities to be sold. It followed the state's sale of electricity distributors in the mid-1990s and the A$1.7bn purchase last November by American Electric Power, of the US, of CitiPower, a Victorian electricity distributor, from Entergy Corp, another US company. Texas paid nearly $2.1bn in late 1995 for Eastern Energy, one of five Victorian electricity distributors sold.

Under its gas privatisation programme, Victoria planned to sell the remaining two distribution and retailing gas utilities, Multinet Gas/Ikon Energy and Stratus Networks/Energy 21, as well as the state's main gas pipeline network, Transmission Pipelines Australia, before the end of May, officials said. Analysts estimate the gas sell-off would earn the government about A$6bn in total.

For Texas, the acquisition will create the first "multi-energy company with coverage across the state", the government said. It also helped realise the government's aim of creating an integrated energy market, with retailers providing a variety of energy products and services, officials said.

Bob Shaphard, Texas managing director, said the company had given Victoria a "full and fair price".

"We're able to bring to bear the scale of the operations of Texas Utilities and our experience in operating gas systems ... we think we can deliver a more cost-effective product," he said. Mr Shaphard said Texas would be interested in a public float of its Australian assets in the longer term, once it "demonstrated their worth to the market".

Texas is also building an underground gas storage facility in the state, and accelerated construction last September, after an explosion at Victoria's only gas and oil processing plant crippled gas supplies.

The government said the sale of Westar/Kinetik would result in lower gas prices and improved services, and was unlikely to lead to job losses. Proceeds from the sale of gas assets would go to reducing state debt. But state opposition leaders criticised the sale, warning it would lead to higher prices and do nothing to improve reliability of gas supply.

Oneximbank near to bond default

By Andrew Jack in Moscow and Arkady Ostrovsky in London

Oneximbank, one of Russia's most prominent financial groups, is on the verge of technically defaulting on the servicing of an international bond, in a new indication of the escalating crisis facing the country's businesses.

The bank, the principal vehicle of the business "oligarch" Vladimir Potanin, is expected to fail to meet its obligation to pay a $12m coupon that falls due today on a $250m bond issue.

However, the group is already at an advanced stage of discussions with its creditors, and is expected to make an announcement during the day on its plans to restructure the interest payments in time to meet a two-week grace period.

Failure to honour the debt would represent a new step in the financing difficulties facing Russian companies. Most of the country's businesses – as well as the Russian Federation itself – have so far avoided defaults on international bonds.

Talks with Oneximbank's creditors follow the company's failure to meet the coupon payments on a floating-rate note last week, which triggered a 14-day grace period in which Oneximbank has to pay the coupon.

Stephen O'Sullivan, an analyst at the Moscow-based United Financial Group, said a default on the bond would be a worse signal for the markets than simply being unable to pay a floating-rate note coupon. "It would raise the possibility of other defaults on the part of corporate issuers," he said.

The news comes as concern is growing about Russia's ability to service its own sovereign debt. It has already missed payments on restructured Soviet-era commercial debt but the Russian finance ministry has attempted to draw a sharp distinction between Soviet-era debt and post-1992 debt issued by the Russian Federation, which it claims is "untouchable".

Oneximbank, whose total debt is estimated at $525m, has already shifted its banking assets last year into a new entity called Rosbank, which has also received assets from rival banks Most and Menatep.

JDS Uniphase set to raise pace of change

By Scott Morrison in Toronto

The recently announced merger between fibre optic component manufacturers JDS Fitel and Uniphase is likely to accelerate development and reduce costs in the telecommunications systems manufacturing industry, say analysts.

The merged company, to be called JDS Uniphase, would be able to provide manufacturers such as Nortel Networks and Lucent Technologies with integrated modules, rather than separate components, which they could quickly input into their systems.

Analysts said that would cut development time and lower costs in the rapidly evolving telecoms systems industry, a sector in which product cycles are being significantly compressed and time-to-market is critical. They predicted Uniphase's hi-tech competitors would be forced to merge in a bid to keep pace.

Anthony Muller, Uniphase's chief financial officer, said the two companies have virtually no product overlap, but essentially serve the same customers.

Canada's JDS Fitel produces wavelength division multiplexers, which separate light beams and enable fibre optic cable strands to carry a greater amount of data.

Uniphase, its US merger partner, produces components such as pump lasers, which provide optical power for amplifying devices used to boost fibre optic signals across long distances.

Systems manufacturers, which have until now been forced to combine these separate components into their networks, have been asking their suppliers to provide integrated modules to simplify and accelerate the production cycle.

The merger will enable systems manufacturers to procure their fibre optic components from a single supplier.

"If we did not merge, we would have to find another way to meet the module demands of our customers," said Mr Muller.

Enabling systems manufacturers to market products more quickly would allow telecoms carriers such as MCI WorldCom and Sprint to develop more advanced networks with greater capacity in less time, said Mr Muller. Jozef Strauss, JDS Fitel's chief executive, said he expected the combined company would deliver its first component module within six months of the merger.

Analysts said the two companies already supply manufacturers such as Tyco, Siemens and Pirelli.

JDS Uniphase would concentrate on research and manufacturing products for the submarine, long-haul, metropolitan and cable television fibre optic markets.

The optical components market, thought to be worth US$2.3bn in 1998, is expected to grow to almost US$7bn by 2004, according to Ryan Hankin Kent, a US telecoms industry analysis firm.

The "merger of equals" would create one of the world's largest and most advanced manufacturers of fibre optic components with a market capitalisation of US$6.1bn at the time the deal was announced.

INTERNATIONAL BONDS THE FAMOUSLY INSULAR MARKET IS RE-INVENTING ITSELF FOR GLOBAL INVESTORS

Pfandbrief sector looks abroad

By Khozem Merchant

Germany's famously insular Pfandbrief market – bonds backed by mortgages and public sector loans – is re-inventing itself as a truly international market, demonstrated by *DePfa Bank's* launch last week of a global €8bn ($3.4bn) Pfandbrief bond.

Pfandbriefe, which are used to refinance domestic mortgages and public projects, may be issued only by authorised publicly owned German banks, and they therefore enjoy high creditworthiness.

Issuance of jumbo Pfandbriefe – the first genuinely liquid issues to appeal to non-German investors – last month alone stood at nearly €12bn, and the volume of such issues is forecast to rise by 35 to 50 per cent this year to about €300bn.

In volume terms, the total Pfandbrief market, including jumbo issues, amounts to nearly $1,000bn and is the largest non-government bond sector in the euro-zone countries.

Traditionally illiquid but safe – there has not been a default on Pfandbriefe this century – the sector comprises thousands of small, individually structured issues enjoying little recognition beyond their narrow home market.

For two centuries the market has been inward looking but now it is being forced to look abroad.

The impetus for change in the sector came in the mid-1990s, as the market considered how to convert itself from a domestic giant into a global player.

"We had a market that was not open to global investors, who simply did not have a picture of the industry," said Ralf Buschmann at Deutsche Bank. "We had to prepare this market for the future."

Underlying these concerns were the mounting economic costs of German reunification, as banks were lending heavily to finance *massive* housing and infrastructure work.

The relaunch of the sector started with the first jumbo Pfandbrief issue in May 1995. This was a standardised product that nonetheless offered a break with the past: it had liquidity, size and transparency similar to other agency issues, and is now regarded as the market driver.

This year, the average issue size has reached €2bn. Total outstanding issuance has risen to €214bn and it is estimated that 20 to 25 per cent of jumbo Pfandbriefe are now bought by foreign investors.

"The jumbo Pfandbrief market is 7 per cent of the euro-zone market. You can't afford to ignore it if you want to be in the big league," according to Derek Brawn, vice-president credit research, at Morgan Stanley Dean Witter.

The euro has transformed the Pfandbrief from a "legal concept" into a distinct European asset class, said Mr Brawn.

"Many other European countries are now trying to replicate the product but with a 200-year head start, the Germans are way ahead," he said.

Several micro factors have helped: More international banks take part in syndicates selling jumbo Pfandbriefe, which helps distribution; the increasing standardisation of the market has forced the adoption of practices common to the international bond market, such as book-building; and finally, the emergence of "global" Pfandbriefe, which comply with US Securities and Exchange Commission rules on private placements and therefore open up the *market to US, and also Japanese*, investors.

DePfa's ground-breaking global issues in 1996 illustrate the point: some 19 per cent of the paper went to US investors; 28 per cent to investors in Asia and the rest to European investors. Only 13 per cent was sold in Germany.

At the heart of the change has been the need to improve liquidity. "This is a sector where all that can be done to enhance liquidity is being done," said Mr Brawn.

Since January, for example, Pfandbriefe have enjoyed Tier One category status with the European Central Bank.

This means that investors may use them as security for repo activities as an alternative to government agency paper.

Moreover, Pfandbriefe, which are quasi-agency paper, are a cheaper way of holding triple A paper for use as collateral in repo activities.

Jumbos have also emerged as a safe option during recent "flight to safety" crises.

"During last autumn's crisis jumbo Pfandbriefe outperformed other credit sectors in the euro-zone and compared with US agency bonds, exhibited less spread volatility," said Mr Brawn.

The spread between 10-year Pfandbriefe and equivalent German bunds is presently 35 to 40 basis points, but there is room for narrowing.

"We see potential for spread tightening of between 10 and 15 basis points this year, meaning they will outperform German bunds," said Mr Brawn.

Ten-year Dutch bonds trade to yield 11 basis points over German bunds and Italian paper trades at a yield spread of about 25 basis points, compared with a spread of about 35 to 40 basis points on typical *Pfandbriefe*.

Bankers say there will be increasing polarisation between jumbo issuers and the domestically focused minnows.

Within the jumbo sector, the big liquid issuers that borrow across various maturities and issue on a calendar programme will command a liquidity premium of at least 2 to 3 basis points.

Growth will also be fuelled by repackaging smaller, traditionally structured, short-dated Pfandbriefe that are nearing maturity into jumbos.

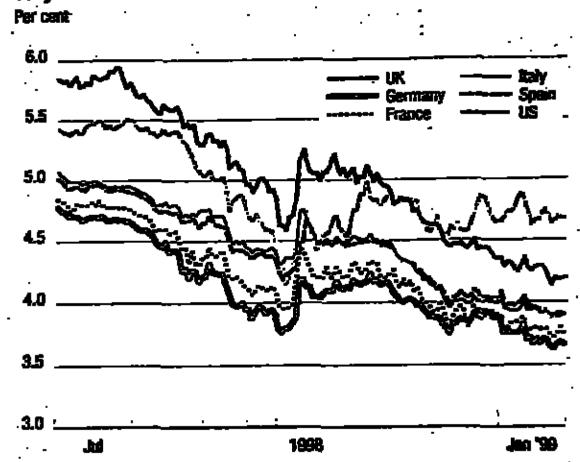
The benefit will be cheaper all-in costs, liquidity and borrower recognition. One reason why this is not happening now is because smaller issuers do not *enjoy* "borrower recognition".

This refinancing will accelerate because small Pfandbrief issues must be redenominated into euros by 2002 (only jumbo issues were redenominated on January 4 this year).

The *one* disappointment in the experiment to internationalise the sector has been the flop of the Pfandbrief futures contract traded on Eurex, the German-Swiss derivatives market. Launched just before Russia defaulted, the contract was a casualty of timing.

"During the subsequent flight to quality the futures instrument was abandoned. It just did not have a track record and it was too focused on specific (shorter-dated) maturities when the trend now is for long-dated paper," said Mr Brawn.

10-year benchmark bonds
Per cent



Source: Datastream/ICV

Biotech companies set to list in Europe

By Virginia Marsh

Three biotechnology companies are planning to come to European markets in offerings that together aim to raise about $100m.

The move is a sign that investor appetite for the sector on the continent may be returning after difficult market conditions late last year. Analysts also said the planned flotations were a sign of a growing trend among continental biotech concerns to become public companies.

"We expect a lot more to follow suit," said Jane Fiskin at Dresdner Kleinwort Benson. "The continent is mirroring what happened in the UK five years ago when a lot of companies floated."

The best known of the three companies going public is MorphoSys of Germany, which aims to list on Frankfurt's Neuer Markt next month after postponing a planned flotation last autumn.

The Munich-based company is to offer 1m shares, equivalent to an 80 per cent capital increase. It is expected to be valued at DM140m-DM185m (€71.5m-€94.6m, $81.2m-$107.4m). The lead manager is Deutsche Bank.

MorphoSys, which had sales of DM8.9m last year (compared with DM4.97m the previous year), uses a technique to speed up the discovery of new drugs. It is researching drugs for cancer by seeking to optimise the properties of proteins and peptides, especially as antibodies. Its partners include Pharmacia & Upjohn and Boehringer Mannheim.

The two other companies are Biovector Therapeutics, a French company that is coming to the Nouveau Marché, and Phytera which is listing on Easdaq, the Brussels-based market for growth stocks, and in Copenhagen.

Biovector, which is already majority-owned by institutional investors including 3i and UBS, aims to raise up to €30.5m through the issue of 5m shares. The price range has been set at €5.2 to €6.1, for a valuation of about $100m, and the offering is being managed by Paribas, Dresdner Bank and J.P. Morgan.

Phytera, which is developing treatments for infectious fungal diseases, is based in the US but has subsidiaries in the UK and Denmark, and also has a large proportion of Danish shareholders.

The company, which recently signed a co-operation deal with Eli Lilly of the US, hopes to raise $30m-$40m in an offering managed by Société Générale, for a market value of about $140m post-financing.

Biovector, a drug delivery company, had considered floating in London, which has more biotech stocks than any other European exchange. But valuations in the UK sector have plunged in the past year after management and other problems at several companies.

NEWS DIGEST

CEREALS

Kellogg ends difficult year with 'disappointing' result

Kellogg, the US cereals company, ended a difficult year with earnings it said were disappointing, although they were in line with reduced market expectations. It also said that after new management appointments, cost-cutting and plans to boost its convenience foods side, it was optimistic about returning to growth in 1999. But in spite of the upbeat stance, its shares fell $1⅞ on Friday to $40¾.

The Michigan-based group made after-tax profits of $46.8m in the final quarter, almost three times the $14.6m of a year earlier, but the figures were muddied by restructuring charges, and the company said excluding unusual items, net earnings fell from $158.5m to $93.1m. Net sales were down 1.1 per cent to $1.56bn.

Kellogg, which now accounts for about 32 per cent of the US cereals market, has been struggling to combat the decline in its core products – as consumer breakfast habits have changed – and competition from local rival General Mills and cheaper own-label cereals.

Part of its suggested solution lies in new products, and an expansion of its convenience foods business. It has also been making restructuring moves, in an effort to cut costs. However, after a number of profit warnings last year, analysts are still waiting to see whether the strategy can deliver a turnround in performance.
Nikki Tait, Chicago

INVESTMENT BANKING

Dresdner launches AAA vehicle

Germany's Dresdner Bank will today launch a structured investment company aimed at giving its institutional clients the higher yields of a diversified AA average rated credit portfolio through an AAA rated vehicle.

K2 Corporation, which will be managed by Dresdner's London branch, will start with $100m of assets but aims to grow to $15bn, according to Alan Harley, co-head of the bank's structured credit investment team.

One of only a handful of such companies, it intends to eliminate market risk by hedging its assets and liabilities through to their maturities. K2 is aimed at, among others, euro-zone investors who must adapt to fixed-income markets in which investing based on the credit risk of borrowers has replaced currency and interest rate factors.

K2's portfolio will be financed by the issuance of medium-term notes and commercial paper that have been rated AAA by Moody's and Standard & Poor's. It achieves the higher rating by over-collateralisation.

Mr Harley helped set up the first such structured investment company, Alpha Finance Corporation, for Citibank in 1988. He and his co-head, Paul Clarke, joined Dresdner from Citibank in 1997. K2 is intended to be "evergreen", with an 11-year life extended each year. **Clay Harris**

Deutsche Bank official resigns

Edward Carter, president and chief executive officer of Deutsche Bank Securities, the German bank's US securities subsidiary and head of investment banking for the Americas, has resigned. According to people close to the situation, Mr Carter had been sidelined by the appointment late last year of Yves de Balmann and Mayo Shattuck to head the investment banking business of Deutsche Bank following its merger with Bankers Trust, which was agreed last November.

Mr Carter joined Deutsche in May 1997, from Merrill Lynch. At that time Deutsche was attempting to build its US business organically. The new product heads for the merged US operation are expected to be announced as early as this week. **Tracy Corrigan, New York**

MOBILE TELEPHONY

Price war starts in Singapore

Singapore's mobile telephone providers started a price war on Friday that led regulatory authorities to call for a surrender at the weekend. The mobile unit of national operator Singapore Telecommunications (SingTel) announced two separate discount packages on Friday. The second was prompted by a reduction in prices by competitor MobileOne (M1), in response to SingTel's initial move.

First, SingTel said it was cutting prices to save customers S$90m (US$53.2m) annually. Later, M1, a consortium including Keppel Group, Singapore Press Holdings, Cable and Wireless and Hongkong Telecom, offered new off-peak rates and other benefits. Later still, SingTel came back with a programme, cutting monthly subscription charges that would save customers S$78m annually.

The Telecommunication Authority of Singapore said M1's application for a price cut package had yet to be approved. It also said the monthly subscription discounts announced by SingTel had been approved only until March 31 2000, and directed SingTel to make that clear in its advertisements. **Sheila McNulty, Kuala Lumpur**

OptiMark trading system goes live

By Daniel Bögler

OptiMark, a revolutionary *electronic share-trading system*, has finally gone live, trading its first batch of shares in 3M, one of the US's bellwether industrial stocks.

"We have been working towards this day for four years. We have designed an incredibly robust and technically highly complex system. Now it is time to see it work," said Bill Lupien, co-founder and chairman of OptiMark.

Described as the biggest innovation in securities markets since the introduction of the ticker tape, OptiMark automatically matches buyers and sellers via a patented computerised algorithm, in trading cycles performed every two to 10 minutes.

The company believes by guaranteeing investors' anonymity and reducing their trading costs, it will tap a vast pool of hidden trading demand. Currently, US stock markets trade between 1.3bn to 1.5bn shares a day. Mr Lupien thinks that could rise to as much as 3bn-5bn.

However, OptiMark's launch, originally planned for October, had been *delayed by resistance from* several US stock markets that fear a loss of business. A compromise with the Intermarket Trading System, which groups together all US exchanges, was finally reached last week.

So far, 114 securities firms are ready and certified to trade via OptiMark. Of these, 80 are money managers and 34 brokers and dealers. OptiMark has trained more than 2,500 traders on its system.

Having started with just a single stock, OptiMark is planning to add four more – Eastman Kodak, Black & Decker, Campbell Soup and AlliedSignal – this week and then keep adding with a target of 100 by February 11.

Eventually, it plans to trade all 2,600 listed US equities, as well as options, futures and potentially European shares. Set up under the wing of California's Pacific Stock Exchange, the company has a co-operation agreement with Nasdaq that will start in the autumn.

Global expertise in investment banking

In Latin America, commitment counts.

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Grupo Financiero Bital
Adviser on joint venture with ING Group in the Mexican insurance and annuities sectors – Dec 1998

Ministry of Communications & Transport, Mexico
International financial adviser to the Ministry of Communications & Transport on sale of 15% equity interest in Grupo Aeroportuario del Sureste to a consortium comprising Copenhagen Airports A/S, Cintra Concesiones de Infrastructura de Transporte SA, Groupe GTM SA & Triturados Basáticos y Derivados SA de CV – Dec 1998

Banco Crédito Inversiones
Empresas Juan Yarur
Adviser on joint venture in the Chilean insurance sector with AXA – Dec 1998

Sprint Corporation
Adviser on award to Sprint and its partners of the 2nd carriers' license to operate a national domestic and international long distance network in Brazil – Jan 1999

Warburg Dillon Read

An investment bank of global intelligence

COMPANIES & FINANCE

Fitic fights backlash from big brother

The failure of Gitic has made foreign banks wary of dealing with other trust and investment companies in China

By James Harding in Fuzhou

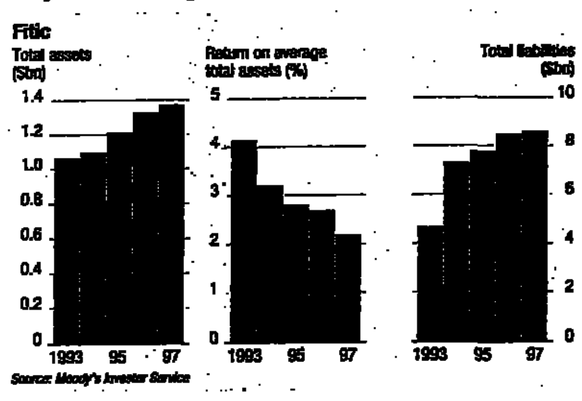
On the evening of October 6, the top management of one of China's better-known trust and investment companies gathered in a mountain retreat to discuss plans for the expansion and the development of the company in the year ahead.

"Our spirits were high," says Peter Wu, chief of the general office at Fujian International Trust and Investment Corporation (Fitic).

The Asian financial storm had swirled around China for more than a year, but the investment company owned by the provincial government of Fujian had met all its payments to foreign creditors on time and international banks were queueing to help finance further growth.

Then, a telephone call from a colleague in the neighbouring Guangdong province ruined the mood. *The local television station* was reporting that the government had shut down Guangdong International Trust and Investment Corporation (Gitic), the biggest of the provincial trust and investment companies known as Itics.

"Immediately, we knew this would have a huge impact on us," Mr Wu recalls. The theme of the Fitic chairman's keynote speech the next morning was changed to restructuring and austerity measures in 1999. The Fujian management assumed, rightly, that the closure of Gitic, the investment agency of the Guangdong provincial government, would panic all foreign bankers who had lent to other Itics on the understanding that the local government stood behind the borrowers.



Source: Moody's Investor Service

Foreign lenders have been vocal in their distress after Gitic's collapse, suggesting that the Chinese government has betrayed its pledges to repay foreign creditors. But the Fitic case illustrates how China's international borrowers have found the Gitic failure equally, if not more, painful.

The strains on the Fujian company raise the question *of whether Beijing's decision* to shut down Gitic – and the handling of the closure – may have created as many problems as it solved.

Industrial Bank of Japan, which was due to sign an agreement opening an $8m credit line to the company a few days later, informed Fitic that, for the time being, head office in Tokyo could not approve the deal.

In the weeks and months that followed, Fitic's guilt by association with Gitic meant other banks from Japan, Hong Kong, Singapore, France, Belgium and Germany called up with the same message.

Xin Shimin, Fitic's vice *chairman, says the company* that had been expecting to sign or renew a cumulative $100m worth of agreements soon found that not one foreign bank would extend credit.

"They [the foreign bankers] were very polite. But, they thought that if [the Chinese government] can close the big brother, Gitic, then all the little brothers will certainly be closed down," Mr Xin says.

"They did not understand that the closure of Gitic does not represent the situation of all trust companies in China."

However, the perception of Fitic worsened, particularly after being downgraded by the credit ratings agencies.

Moody's issued a report last month offering another grim opinion of the company's outlook: "The illiquidity of its balance sheet and heavy reliance on foreign bank borrowings are its Achilles' heel." There are other substantial concerns. Fitic's businesses, which stretch from steel to eels and include shipping, chemicals, banking, hotels, stockbroking, cement, an airline and other investments, are extremely diverse. The company's assets are more heavily weighted to state-owned industries than any of the other Itics.

But this was before Gitic's closure appeared to change the rules for provincial state-backed financial institutions. Moody's concluded: "The strength and timeliness of provincial support is now less certain."

Fitic says Moody's criticism is unfair, and foreign bankers' concerns, although understandable, are unfounded.

First, Fitic produced a letter from the Fujian government pledging its continued support for the company. Not only the provincial governor, but prime minister Zhu Rongji have signalled their approval of Fitic's operations, Mr Xin says.

"Many of our invested enterprises have become the backbone of the economy of Fujian," he added.

Second, he says Fitic should not be compared to Gitic. He says that unlike the latter, Fitic has made no huge real estate investments, it has no outstanding loan guarantees and it has been gradually reducing, rather than expanding, its foreign debts.

Fitic has taken steps to meet the problems that have arisen out of the Gitic closure, selling stakes in Xiamen Airlines and Xiamen International Bank to its Hong Kong-listed subsidiary Min Xin Holdings.

It has also sold a stake in a local cement factory, it plans to transfer hotels and is putting other assets up for auction.

There have been problems in the past, such as foreign exchange losses, an unrecoverable investment in a restaurant in London's Chinatown as well as loans to state enterprises that have performed worse than expected. But, Mr Xin says, the Moody's assessment is "unfair".

"After the closure of Gitic, we were badly hit in terms of short-term loans. The banks were in doubt, thinking Fitic would follow." Mr Xin maintains it will not: "If one person is dead, you should not assume that all people are dead."

Johannesburg in electronic trading move

By Vincent Boland

The Johannesburg Stock Exchange is to undertake a complete overhaul of its settlement system and begin switching to paperless trading later this year to end a chronic backlog of unsettled trades and improve its reputation for transparency and efficiency.

The R70m ($11.6m) investment in moving to electronic trading and settlement comes as the JSE is reeling from the defection of some of its biggest companies, which have moved their primary listings to the London Stock Exchange.

JSE officials stressed the two were not related and that the exchange, which aspires to being a hub for stock market listings by companies throughout southern Africa, needed to make its settlement system more competitive and transparent compared with other emerging market bourses.

Monica Singer, JSE general manager, said: "Our settlement system has degenerated very badly, to the point where an average of 45 per cent of trades fail to settle on time. The cost of settlement is often higher than the commission earned on the transaction."

Trading volumes on the JSE nearly doubled in 1998 to R408bn, but it has consistently ranked among the worst emerging markets for settlement risk. "Our goal is no more settlement problems," Ms Singer said.

The investment will see JSE trading begin to make the switch from paper to electronic trading, or dematerialisation, from the middle of this year, with electronic settlement beginning on July 30. The new system is known as Strate – "share transactions totally electronic".

Ms Singer, in London to introduce Strate to investment banks and stockbrokers, said illiquid securities would be the first to switch. All listed instruments on the JSE would have made the change by July next year.

The exchange is also to move to T+5 settlement – a trade will have to be settled five working days after the transaction takes place – and eventually to T+3.

If a trade is not settled on time, the JSE will intervene to ensure the deal is closed, charging the broker for the cost and levying fines where appropriate. Trades will also be settled individually.

The JSE has appointed eight central securities depository participants – ABSA, FNB, Nedcor, Standard Bank, Crédit Agricole, Société Générale, Mercantile Bank and Citibank – to act as clearing houses for securities transactions, whose relationships will be with investors rather than with issuers.

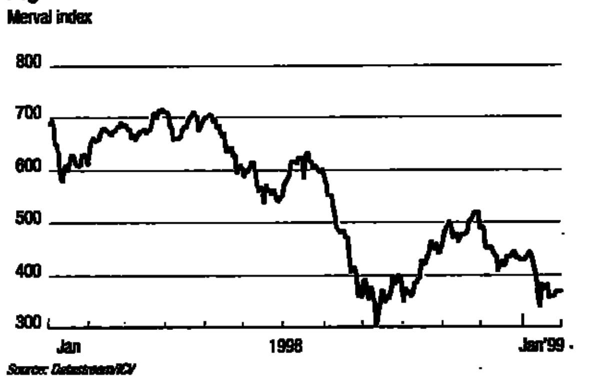
EMERGING MARKETS MANY ANALYSTS HAVE REDUCED 1999 GROWTH FORECASTS TO ZERO

Argentina feels the heat from Brazil

By Ken Warn in Buenos Aires

The inhabitants of Buenos Aires like to escape to the beach at this time of year in a mass migration away from the stifling city heat. This year, near tropical storms have added to the plight of those left behind, with the sheer pressure of rainwater blowing drain covers into the air, while some streets become suitable for white-water rafting.

For workers in the grid of narrow streets that make up the financial district – el City – the Brazilian devaluation crisis has added to their discomfort level.



Source: Datastream/ICV

No one doubts that the Brazilian devaluation of the Real will have a severe impact on Argentina's economy, which was already slowing sharply through the second half of last year. Many private sector analysts have reduced their 1999 Argentine growth forecasts to zero. Further cuts are likely if the Brazilian situation does not stabilise relatively quickly.

However, the stock market has so far taken the battering of bad news better than some had feared. For many investors, the main question was not if, but when the Brazilian currency peg would snap, and some of the bad news had already been discounted.

"It's clearly going to be tough," said Roberto Guevara, senior country analyst at Merrill Lynch. "But people are not panicking. They are assessing how Argentina is going to manage in the new environment."

Trading last week was cautious and in thin volumes, with the market taking its cue from Wall Street and São Paulo. The Merval leading share index closed on Friday up 1.17 per cent at 371.9 points. The index ended last year at just over 430 points.

Companies with the greatest exposure to Brazil, such as the car and steelmakers, have been among the worst performers. Argentine industry is clamouring for protection against what it fears will be a wave of cheap imports from Brazil.

There are also worries about exports. Although Argentina's economy is still relatively closed, with exports accounting for only about 8 per cent of gross domestic product, about a third of those exports go to Brazil.

But it has not been all gloom. Last week the government successfully launched its initial public offering of Banco Hipotecario Nacional, the national mortgage bank. The government sold 25 per cent of the bank, and options for a further slice of shares, for about $280m. Argentina's private pension funds had been saving up to snap up the stock and showed strong interest in the sale, which also attracted US and European institutional investors.

Getting the much delayed offering away in the current nervous market was widely reckoned a triumph, even though the government had to cut the floor price from $8 to $7 a share on the eve of the sale.

Some investors took a fresh look at the Latin American fixed income market last week, in the search for bargains. Argentina was among the beneficiaries and its Par bond perked up 2.6 per cent on Thursday.

In another positive development, Spanish oil major Repsol, which has just bought a 14.99 per cent stake in YPF, announced that the privatised energy concern would continue to be listed on the Buenos Aires exchange.

The loss of YPF, the country's biggest company and most liquid stock, would be a significant blow to the local bourse.

Repsol has made no secret of its desire to win control of YPF, but how, when, and at what price is unclear.

"The fate of YPF remains a big unknown and the uncertainty could become a drag on the market," said Christopher Ecclestone, head of research at local investment bank Buenos Aires Trust Co.

On the policy front, President Carlos Menem's backing for a Central Bank study advocating the dollarisation of the economy, after a period of negotiation with the US, drew mixed reviews from analysts. For Mr Ecclestone, dollarisation cannot happen soon enough, to help distinguish Argentina further from monetary turmoil in Brazil.

But Salomon Smith Barney in New York sounded a note of caution. The proposal "was poorly timed since implementation is a long-term prospect, yet the debate opened by such a prospect could have short-term damaging consequences for the credibility of convertibility [the currency board system that pegs the peso to the dollar]".

Analysts admit that the short-term positives for the market are in short supply. Low oil and commodity prices continue to be a drag on the economy. Earnings figures were already looking disappointing even before the Brazilian crisis, and some Argentine companies may struggle to roll over debt in the tight credit environment.

However, Mr Guevara remained upbeat: "Argentina's situation and financial indicators are extremely solid, and eventually that will be perceived by investors."

Problems found at Gitic arms

By James Harding

China's state media reported over the weekend that auditors had discovered suspected criminal activity by officials at two Hong Kong-based subsidiaries of Guangdong International Trust and Investment Corporation (Gitic), which filed for bankruptcy last month.

"Clues to law-breaking criminal activities by 'very few' people have been discovered after auditing the assets and liabilities of former Gitic Hong Kong (Holdings) and Guangxin Enterprises," the China Business Times said.

The newspaper said a special investigation report has been handed to the government of China's southern Guangdong province, which owned Gitic.

The two Hong Kong subsidiaries were placed under voluntary liquidation last October after Gitic was shut by China's central bank because of its inability to repay foreign debt.

Auditors have looked into the accounts of 26 trust and investment companies in Guangdong province and found problems ranging from high levels of overdue debt, weak repayment ability and other irregularities, the newspaper said.

Sega finalises Dreamcast plans

By Alice Rawsthorn

Sega, the Japanese video games group, hopes to sell nearly 7m of its powerful new Dreamcast games systems worldwide by April next year, according to Shoichiro Irimajiri, president.

Orchestrating a successful launch for Dreamcast, the first 128-bit games machine, is essential for Sega, which reported its first loss last year after its expensively developed Saturn games system was trounced by Sony's PlayStation and Nintendo 64.

Dreamcast, which combines speedy, realistic three-dimensional graphics with an internet connection, was introduced in Japan before Christmas.

Having sold its first run of 500,000 players, Sega expects to sell a further 500,000 in Japan, and 5m software titles, by the end of March.

The group, which recently announced plans to recapitalise through a Y50bn ($430m) convertible bond issue, is finalising plans to launch Dreamcast in the US and Europe this September.

Mr Irimajiri said early sales in those regions, coupled with strong growth in Japan, should push sales of Dreamcast players to 6.8m by the end of March 2000.

Only five software titles, including *Virtual Fighter* and *Sonic Adventure*, were available when Dreamcast went on sale in Japan.

It has not yet decided on a software strategy for the US and Europe, nor on pricing. The Dreamcast player retails in Japan for Y29,800 ($256). Nor has Sega determined whether Dreamcast will have the same level of internet capability in those regions as in Japan.

Its Japanese research suggests Dreamcast's dual function as an internet connector is an important selling point there.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, January 29, 1999. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	EURO €	YEN (X 100)
Afghanistan	(Afghani)	7803.30	4750.00	5394.34	4084.97
Albania	(Lek)	228.926	139.350	158.254	119.840
Algeria	(Dinar)	100.252	61.0250	69.3033	52.4811
Andorra	(French Fr)	9.4689	5.7761	6.5596	4.9674
	(Sp Peseta)	240.690	146.512	166.386	125.999
Angola	(Readj Kwanza)	422409.6	257129.0	292007.4	221128.3
Antigua	(E Carib $)	4.4356	2.7000	3.0663	2.3220
Argentina	(Peso)	1.6421	0.9996	1.1352	0.8596
Armenia	(Dram)	836.808o	509.380	578.477	438.083
Aruba	(Florin)	2.9405	1.7900	2.0328	1.5394
Australia	(Aus $)	2.6149	1.5917	1.8077	1.3689
Austria	(Schilling)	19.9053	12.1167	13.7603	10.4202
Azerbaijan	(Manat)	6489.09o	3950.00	4485.82	3396.87
Azores	(Port Escudo)	290.012	176.535	200.482	151.819
Bahamas	(Bahama $)	1.6428	1	1.1357	0.8600
Bahrain	(Dinar)	0.6193	0.3770	0.4281	0.3242
Balearic Is	(Sp Peseta)	240.690	146.512	166.386	125.999
Bangladesh	(Taka)	79.5936	48.4500	55.0223	41.6667
Barbados	(Barb $)	3.2856	2.0000	2.2841	1.7200
Belarus	(Rouble)	361415.9e	220000.0	249843.0	189196.5
Belgium	(Belg Fr)	58.3546	35.5214	40.3399	30.5482
Belize	(B $)	3.2856	2.0000	2.2713	1.7200
Benin	(CFA Fr)	948.890	577.610	655.957	496.736
Bermuda	(Bermudian $)	1.6428	1	1.1357	0.8600
Bhutan	(Ngultrum)	69.8273	42.5050	48.2708	36.5540
Bolivia	(Boliviano)	9.3147	5.6700	6.4392	4.8762
Botswana	(Pula)	7.4828	4.5546	5.1727	3.9171
Brazil	(Real)	3.3842r	2.0600	2.3395	1.7716
Brunei	(Brunei $)	2.7601	1.6823	1.9219	1.4494
Bulgaria	(Lev)	2828.57	1721.80	1955.35	1480.74
Burkina Faso	(CFA Fr)	948.890	577.610	655.957	496.736
Burma	(Kyat)	10.2703	6.2517	7.0997	5.3764
Burundi	(Burundi Fr)	833.509	507.367	576.196	436.332
Cambodia	(Riel)	6201.57	3775.00	4287.08	3246.47
Cameroon	(CFA Fr)	948.890	577.610	655.957	496.736
Canada	(Canadian $)	2.4818	1.5107	1.7157	1.2992
Canary Is	(Sp Peseta)	240.690	146.512	166.386	125.999
Cp. Verde	(CV Escudo)	155.590	94.7100	107.557	81.4500
Cayman Is	(CI $)	1.3690	0.8333	0.9463	0.7166
Cent. Afr. Rep	(CFA Fr)	948.890	577.610	655.957	496.736
Chad	(CFA Fr)	948.890	577.610	655.957	496.736
Chile	(Chilean Peso)	803.576	489.150	555.509	420.666
China	(Renminbi)	13.5988	8.2778	9.4007	7.1189
Colombia	(Col Peso)	2605.89	1586.25	1801.43	1364.16
Comoros	(Fr)	808.205	491.968	558.705	423.089
Congo	(CFA Fr)	948.890	577.610	655.957	496.736
Congo (DemRep)	(Zaire)	225884.9	137500.0	156151.9	118248.1
Costa Rica	(Colon)	449.428	273.575	309.675	235.273
Côte d'Ivoire	(CFA Fr)	948.890	577.610	655.957	496.736
Croatia	(Kuna)	10.6699	6.5088	7.3894	5.5956
Cuba	(Cuban Peso)	37.7844	23.0000	26.1200	19.7799
Cyprus	(Cyprus £)	0.8405	0.5116	0.5810	0.4400
Czech Rep	(Koruna)	53.2906	32.4389	36.8394	27.8973
Denmark	(Danish Krone)	10.7594	6.5494	7.4379	5.6324
Djibouti Rep	(Djib Fr)	291.956	177.720	201.828	152.836
Dominica	(E Carib $)	4.4356	2.7000	3.0663	2.3220
Dominican Rep	(D Peso)	26.1205	15.9000	18.0568	13.6739
Ecuador	(Sucre)	11943.2o	7270.00	8256.18	6252.15
	(Sucre)	11877.4m	7230.00	8051.78	6217.75
Egypt	(Egyptian £)	5.6065	3.4128	3.8757	2.9349
El Salvador	(Colon)	14.3581	8.7400	9.9256	7.5163
Equat'l Guinea	(CFA Fr)	948.890	577.610	655.957	496.736
Estonia	(Kroon)	22.6166	13.7672	15.6348	11.8397
Ethiopia	(Ethiopian Birr)	11.4799	6.9880	7.9358	6.0096
Falkland Is	(Falk £)	1	0.6087	0.6913	0.5235
Faroe Is	(Danish Krone)	10.7594	6.5494	7.4379	5.6324
Fiji Is	(Fiji $)	3.2346	1.9690	2.2360	1.6932
Finland	(Markka)	8.6009	5.2355	5.9457	4.5025
France	(Fr)	9.4689	5.7761	6.5596	4.9674
Fr. Cty/Africa	(CFA Fr)	948.890	577.610	655.957	496.736
Fr. Guiana	(Local Fr)	9.4689	5.7761	6.5596	4.9674
Fr. Pacific Is	(CFP Fr)	171.869	104.614	118.806	89.9670
Gabon	(CFA Fr)	948.890	577.610	655.957	496.736
Gambia	(Dalasi)	18.1941	11.0750	12.5774	9.5244
Germany	(D-Mark)	2.8293	1.7222	1.9558	1.4811
Ghana	(Cedi)	3868.80	2355.00	2674.46	2025.36
Gibraltar	(Gib £)	1	0.6087	0.6913	0.5235
Greece	(Drachma)	464.469	282.730	321.082	243.146
Greenland	(Danish Krone)	10.7594	6.5494	7.4379	5.6324
Grenada	(E Carib $)	4.4356	2.7000	3.0663	2.3220
Guadeloupe	(French Fr)	9.4689	5.7761	6.5596	4.9674
Guam	(US $)	1.6428	1	1.1357	0.8600
Guatemala	(Quetzal)	11.4679	6.9829	7.9364	6.0139
Guinea	(Fr)	2127.48	1295.03	1470.87	1113.69
Guinea-Bissau	(CFA Fr)	948.890	577.610	655.957	496.736
Guyana	(Guyanese $)	257.920	157.000	178.297	135.019
Haiti	(Gourde)	27.5581	16.7751	19.5332	14.4265
Honduras	(Lempira)	22.9417	13.9650	15.8368	12.0096
Hong Kong	(HK $)	12.7297	7.7488	8.7999	6.6639
Hungary	(Forint)	360.332	219.340	249.094	188.631
Iceland	(Icelandic Krona)	115.456	70.2800	79.8135	60.4468
India	(Indian Rupee)	69.8273	42.5050	48.2708	36.5540
Indonesia	(Rupiah)	14709.1	8960.00	10164.1	7699.94
Iran	(Rial)	4928.40u	3000.00	3406.95	2579.98
Iraq	(Iraqi Dinar)(1)	0.5108r	0.3109	0.3531	0.2674
Irish Rep	(Punt)	1.1389	0.6935	0.7876	0.5964
Israel	(Shekel)	6.7466	4.1068	4.6639	3.5318
Italy	(Lira)	2800.96	1704.99	1936.27	1466.28
Jamaica	(Jamaican $)	62.0978	37.8000	42.9276	32.5077
Japan	(Yen)	191.025	116.280	132.053	100
Jordan	(Jordanian Dinar)	1.1697	0.7120	0.8086	0.6123
Kazakhstan	(Tenge)	139.660	85.1350	96.6836	73.2139
Kenya	(Kenya Shilling)	101.525	61.8000	70.1832	53.1478
Kiribati	(Australian $)	2.6149	1.5917	1.8077	1.3689
Korea North	(Won)	3.6142	2.2000	2.4984	1.8920
Korea South	(Won)	1930.29	1175.00	1334.39	1010.49
Kuwait	(Kuwaiti Dinar)	0.4972	0.3027	0.3437	0.2603
Laos	(New Kip)	6899.76	4200.00	4769.73	3611.97
Latvia	(Lats)	0.9449	0.5752	0.6532	0.4946
Lebanon	(Lebanese £)	2479.81	1509.50	1714.26	1298.16
Lesotho	(Maluti)	9.9476	6.0553	6.8767	5.2075
Liberia	(Liberian $)	1.6428	1	1.1357	0.8600
Libya	(Libyan Dinar)	0.7395	0.4500	0.5110	0.3870
Liechtenstein	(Swiss Fr)	2.3317	1.4193	1.6118	1.2206
Lithuania	(Litas)	6.5696	3.9990	4.5415	3.4391
Luxembourg	(Lux Fr)	58.3546	35.5214	40.3399	30.5482
Macao	(Pataca)	13.1468	8.0045	9.0909	6.8838
Macedonia	(Denar)	87.2557	53.1140	60.0588	45.6777
Madagascar	(MG Fr)	8575.41	5220.00	5928.09	4489.16
Madeira	(Port Escudo)	290.012	176.535	200.482	151.819
Malawi	(Kwacha)	71.3305	43.4200	49.3100	37.3406
Malaysia	(Ringgit)	6.2427o	3.8000	4.3155	3.2680
	(Ringgit) (3)	8.9204	5.4300	6.1666	4.6696
Maldive Is	(Rufiya)	19.3358	11.7700	13.3666	10.1221
Mali Rep	(CFA Fr)	948.890	577.610	655.957	496.736
Malta	(Maltese Lira)	0.6320	0.3847	0.4369	0.3308
Martinique	(Local Fr)	9.4689	5.7761	6.5596	4.9674
Mauritania	(Ouguiya)	335.855	204.440	232.173	175.817
Mauritius	(Maur Rupee)	40.8236	24.8500	28.2210	21.3708
Mexico	(Mexican Peso)	16.6908	10.1600	11.5382	8.7375
Moldova	(Leu)	14.6045	8.8900	9.9463	7.6453
Monaco	(French Fr)	9.4689	5.7761	6.5596	4.9674
Mongolia	(Tugrik)	1418.13	863.240	980.339	742.381
Montserrat	(E Carib $)	4.4356	2.7000	3.0663	2.3220
Morocco	(Dirham)	15.5177	9.4459	10.7272	8.1234
Mozambique	(Metical)	20372.4	12401.0	14083.2	10664.6
Namibia	(S A Rand)	9.9476	6.0553	6.8767	5.2075
Nauru Is	(Australian $)	2.6149	1.5917	1.8077	1.3689
Nepal	(Nepalese Rupee)	109.609	66.7200	75.7708	57.3787
Netherlands	(Guilder)	3.1879	1.9405	2.2037	1.6688
N'nd Antilles	(A/Guilder)	2.9405	1.7900	2.0328	1.5394
New Zealand	(NZ $)	3.0516	1.8576	2.1095	1.5976
Nicaragua	(Gold Cordoba)	18.5469	11.2910	12.7954	9.7102
Niger Rep	(CFA Fr)	948.890	577.610	655.957	496.736
Nigeria	(Naira)	35.9543o	21.8860	24.8548	18.8218
	(Naira)	143.417m	87.3000	99.1424	75.0774
Norway	(Nor. Krone)	12.3759	7.5332	8.5551	6.4785
Oman	(Rial Omani)	0.6325	0.3850	0.4372	0.3311
Pakistan	(Pak. Rupee)	82.5041	50.0390	56.8289	43.0332
Panama	(Balboa)	1.6428	1	1.1357	0.8600
Papua New Guinea	(Kina)	3.5036	2.1322	2.4214	1.8337
Paraguay	(Guarani)	4684.45	2851.50	3238.31	2452.27
Peru	(New Sol)	5.5207	3.3605	3.8164	2.8900
Philippines	(Peso)	63.2479	38.5000	43.7226	33.1097
Pitcairn Is	(£ Sterling)	1	0.6087	0.6913	0.5235
	(NZ $)	3.0516	1.8575	2.1095	1.5975
Poland	(Zloty)	6.0389	3.6748	4.1733	3.1603
Portugal	(Escudo)	290.012	176.535	200.482	151.819
Puerto Rico	(US $)	1.6428	1	1.1357	0.8600
Qatar	(Riyal)	5.9810	3.6407	4.1346	3.1310
Reunion Is. de la	(F Fr)	9.4689	5.7761	6.5596	4.9674
Romania	(Leu)	19177.2	11673.5	13257.0	10039.1
Russia	(Rouble)	38.0637m	23.1700	26.3130	19.9260
Rwanda	(Fr)	528.731	320.830	364.123	275.740
St Christopher	(E Carib $)	4.4356	2.7000	3.0663	2.3220
St Helena	(£)	1	0.6087	0.6913	0.5235
St Lucia	(E Carib $)	4.4356	2.7000	3.0663	2.3220
St Pierre & Miquelon	(F Fr)	9.4689	5.7761	6.5596	4.9674
St Vincent	(E Carib $)	4.4356	2.7000	3.0663	2.3220
San Marino	(Italian Lira)	2800.96	1704.99	1936.27	1466.28
Sao Tome	(Dobra)	3926.29	2390.00	2714.20	2055.38
Saudi Arabia	(Riyal)	6.1613	3.7505	4.2593	3.2254
Senegal	(CFA Fr)	948.890	577.610	655.957	496.736
Seychelles	(Rupee)	8.9171	5.4280	6.1668	4.6681
Sierra Leone	(Leone)	2678.58	1630.50	1851.66	1402.22
Singapore	($)	2.7601	1.6823	1.9219	1.4464
Slovakia	(Koruna)	62.0642	37.7785	42.9043	32.4901
Slovenia	(Tolar)	272.005	165.576	188.037	142.394
Solomon Is	($)	7.9183	4.8200	5.4738	4.1452
Somali Rep	(Shilling)	4304.13	2620.00	2975.40	2253.18
South Africa	(Rand)	9.9476	6.0553	6.8767	5.2075
Spain	(Peseta)	240.690	146.512	166.386	125.999
Spanish Ports in N Africa	(Sp Peseta)	240.690	146.512	166.386	125.999
Sri Lanka	(Rupee)	113.189	68.9000	78.2463	59.2535
Sudan Rep	(Dinar)	321.989	196.000	222.587	168.559
Surinam	(Guilder)	658.765	401.000	455.396	344.857
Swaziland	(Lilangeni)	9.9476	6.0553	6.8767	5.2075
Sweden	(Krona)	12.8222	7.8051	8.8639	6.7123
Switzerland	(Fr)	2.3317	1.4193	1.6118	1.2206
Syria	(£)	73.9260	45.0000	51.1043	38.6997
Taiwan	($)	53.0871	32.3159	36.6996	27.7907
Tanzania	(Shilling)	1117.11	680.000	772.245	584.795
Thailand	(Baht)	60.7915	36.9500	41.9623	31.7767
Togo Rep	(CFA Fr)	948.890	577.610	655.957	496.736
Tonga Is	(Pa'anga)	2.6149	1.5917	1.8077	1.3689
Trinidad/Tobago	($)	10.2724	6.2530	7.1012	5.3775
Tunisia	(Dinar)	1.8368	1.1181	1.2697	0.9615
Turkey	(Lira)	548153.2	333670.0	378932.4	286953.9
Turks & Caicos	(US $)	1.6428	1	1.1357	0.8600
Tuvalu	(Australian $)	2.6149	1.5917	1.8077	1.3689
Uganda	(New Shilling)	2262.14	1377.00	1563.79	1184.21
Ukraine	(Hryvnia)	6.4601	3.9500	4.4858	3.3970
U A E	(Dirham)	6.0338	3.6729	4.1711	3.1586
United Kingdom	(£)	1	0.6087	0.6913	0.5235
United States	(US $)	1.6428	1	1.1357	0.8600
Uruguay	(Peso Uruguayo)	18.0216	10.9700	12.4581	9.4341
Uzbekistan	(Sum)	961.038	585.000	635.994	503.090
Vanuatu	(Vatu)	211.264	128.600	146.045	110.595
Vatican	(Lira)	2800.96	1704.99	1936.27	1466.28
Venezuela	(Bolivar)	943.378r	574.250	652.147	493.851
Vietnam	(Dong)	22802.1	13880.0	15762.8	11936.7
Virgin Is-British	(US $)	1.6428	1	1.1357	0.8600
Virgin Is-US	(US $)	1.6428	1	1.1357	0.8600
Western Samoa	(Tala)	4.9053	2.9859	3.3439	2.5679
Yemen (Rep of)	(Rial) (2)	224.505	136.660	155.198	117.527
Yugoslavia	(New Dinar)	16.8229	10.2400	11.6105	8.8063
Zambia	(Kwacha)	4353.48	2650.00	3009.49	2278.98
Zimbabwe	($)	64.4300	39.2500	44.5743	33.7547
Euro	(Euro)	1.4468	0.8806	1	0.7573
SDR	(SDR)	1.18463	0.718308	0.815592	0.622181

Abbreviations: (o) Free rate; (m) Market rate; (o) Official rate; (r) Principal rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Iraqi market rate replaced by Principal Rate (2) Yemeni Official rate replaces Parallel rate (3) Ringgit exchange rate for valuation of capital assets. FT enquiries to Business Research Centre 0171 873 3100. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls are charged at 50p per minute at all times.
Friday, January 29, 1999

Saudi prince takes lead role in PFE saga

Although now seen as a serious contender, success for his bid for the Seagram unit is far from assured, writes **Alice Rawsthorn**

When Prince Muhammad Bin Bandur Abdul Aziz, one of the less well known members of the Saudi royal family, expressed interest in buying PolyGram Filmed Entertainment (PFE) last summer, no-one believed him – least of all Seagram, the Canadian entertainment company that was selling it.

Seagram suddenly took the prince seriously when, last week, he placed $50m in an escrow account as a deposit on the deal.

Edgar Bronfman Jr, Seagram president, is now pressing the prince to prove that he is willing, and able, to pay up to $450m for PFE's remaining production and distribution assets.

Anxious to reduce the debts amassed in his $11bn bid for the entire PolyGram group, Mr Bronfman is expected to accept a firm offer if the prince produces one. Yet Prince Muhammad not only needs to finalise the financing of his bid, but to find yet more money to revitalise PFE, which once produced such hits as *Four Weddings and a Funeral*, *Fargo*, *Elizabeth* and *Bean*, but has been racked by uncertainty for nine months while Seagram has tried to sell it.

At first glance, there is little to distinguish Prince Muhammad from the motley assortment of glamour-crazed investors who have toyed with Hollywood over the years: from billionaire womaniser, Howard Hughes; to media magnate, William Randolph Hearst, whose main motivation was fostering the acting career of his mistress, Marion Davies.

Until his $50m landed in escrow last week, the prince had no known business dealings in Hollywood. He has now proved he has considerable capital at his disposal and convinced Seagram that he stands a reasonable chance of assembling a consortium of Arab investors to back his bid.

The prince has also persuaded Fred Bernstein and Dan Melnick, two respected Hollywood executives, to run PFE, if he wins control, although Variety, the US film industry magazine, claims that Gilbert Federbush, a convicted felon, is also linked to his bid.

Finally, Prince Muhammad has mapped out a structure for PFE. He plans to acquire all its remaining assets except Interscope, a US production company, its share of the Sundance independent film TV channel, and its US big budget film distribution network.

PFE's non-US distribution network will be retained, as will Gramercy to distribute smaller pictures, such as *Lock, Stock & Two Smoking Barrels*, in the US.

The prince will cede US distribution rights for costlier PFE productions – notably *Notting Hill*, the hotly anticipated *Four Weddings* follow-up – to Seagram's Universal Pictures.

Edgar Bronfman Jr: expected to accept if prince makes firm offer

Running PFE could prove costlier and more complex than buying it. One problem is that Seagram has already sold its film libraries, which provided steady cashflow to balance its volatile production and distribution interests. The prince must also secure substantial working capital to persuade PFE's senior executives to stay.

As the biggest European-owned film group, PFE gave its non-US staff an unusual level of autonomy for the US-dominated film industry, and they may not wish to remain if that changes.

Similarly, Prince Muhammad may find it hard to hold on to star producers, notably Tim Bevan and Eric Fellner, responsible for *Four Weddings*, *Bean* and *Elizabeth*. Their personal contracts with PFE's Working Title subsidiary expire shortly, and they are hotly courted by established Hollywood studios, including Universal.

Having cleared the first hurdle by forcing Seagram to take him seriously, Prince Muhammad may yet clear the second by raising the cash to buy PFE's corporate assets, but winning the confidence of its real assets – the staff – may be the biggest challenge of all.

National Bank of Greece profits jump to Dr130bn

By Kerin Hope in Athens

National Bank of Greece, the country's biggest bank, announced a 103 per cent increase in pre-tax 1998 profits to Dr130bn ($460m) after completing a merger with its housing subsidiary, National Mortgage Bank.

Shareholders approved on Friday a four-for-one stock split, designed to improve liquidity and encourage more small Greek savers to buy shares.

NBG's share price on the Athens stock exchange closed at Dr78,000 on Friday, more than twice the price of Commercial Bank, the second-biggest Greek financial group.

The bank said the new shares, with a nominal value of Dr1,450 each, would start trading today.

Analysts said NBG's results showed the effects of a three-year restructuring, which included a balance-sheet clean-up and disposals of equity stakes in industrial companies.

NBG made provisions of Dr57.5bn for non-performing loans, marking what analysts said would be the final year of additional provisions to cover past lending based on political rather than commercial criteria.

Consolidated group pre-tax profits increased 19 per cent to Dr241bn. The bank has upgraded its banking subsidiaries in western Europe, the US and South Africa, which were set up to cater for expatriate Greek communities, and has expanded investment banking activity through NBG International, a London-based subsidiary.

A bank official said preparations were "well advanced" for NBG to be listed on the New York Stock Exchange in the middle of the year. The listing would be the second by a Greek company in New York, after the arrival last November of OTE, the public telecoms operator.

Institutional investors from outside Greece hold about 20 per cent of NBG's equity. Greek state and public sector organisations control another 38 per cent, with the remainder held by domestic institutions and small investors.

NBG will launch a public offering of 2m to 3m shares ahead of the New York listing. These will include shares from a convertible bond issue held by the Greek government that matures in June and shares belonging to NBG subsidiaries.

Although the offering will reduce the Greek public sector's shareholding in NBG to about 35 per cent, there are no plans for changes in corporate governance. Greece's prime minister has traditionally taken responsibility for hiring and firing chief executives at NBG.

Foreign demand for Azkar

By Tom Burns in Madrid

Azkar, Spain's leading transport and logistics group, yesterday said it had been swamped by non-Spanish institutional demand when it completed an initial public offering worth Pta24.6bn (€148m, $168m), the first euro offering to be made on the domestic equity market.

The family-owned group, which is placing 42 per cent of its stock on Madrid's Bolsa, had targeted its IPO to international institutions and brought Merrill Lynch of the US alongside the domestic bank Argentaria to co-lead the disposal.

The issue price was fixed at Pta1,872 (€11.25), which was at the top of the range indicated in the offer document.

The international tranche, which represented 47.6 per cent of the total offer, was 18.8 times subscribed.

International institutions had originally been offered 33.9 per cent of the disposal in September when Azkar was forced to pull its market debut because of financial turmoil.

In the revised structure of the IPO, the domestic institutional and the retail tranches were scaled back in order to allow more international investors into Azkar's equity base.

Domestic institutions bid 9.8 times the amount they were offered and the retail tranche was 11.8 times subscribed.

The success of Azkar's IPO is likely to increase the international weighting of a swathe of medium cap Spanish companies, which are lining up for a Bolsa listing.

CROSS-BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
GE Capital (US)	Japan Leasing units	Financial srvcs	$6.9bn	New landmark
TRW (US)	LucasVarity (UK/US)	Auto components	$6.6bn	Rival expected
Ford Motor (US)	Volvo Cars (Sweden)	Auto manufactr	$6.5bn	Consolidation
Microsoft (US)	NTL (UK)	Broadcasting	$500m	Cable stake
Microsoft (US)	UPC (N'lands)	Broadcasting	$300m	Cable stake
Dura Automotive (US)	Adwest (UK)	Auto components	$206m	Consolidation
Schawk (US)	Wace (UK)	Printing srvcs	$156m	White knight
Blue Circle (UK)	Fortune Cement (P'ppines)	Cement	$86m	Raising stake
Euromoney (UK)	Internet Securities (US)	Publishing	$43m	Auction winner
Chrysalis (UK)	Global Music (Germany)	Music publishng	$7m	Global ambitions

Weak prices hit MIM and North results

By Gwen Robinson in Sydney

Weak commodity prices weighed on earnings at MIM Holdings and North, two of Australia's largest diversified resources companies, in the half year to December.

However, both companies said they would continue cost-cutting programmes and sales of non-core assets to boost competitiveness, highlighting a growing trend in the Australian resources sector to respond to tougher market conditions.

MIM on Friday reported an interim net loss of A$3.1m (US$1.95m), a sharp reversal from the A$35.4m net profit reported a year earlier, but forecast that capital expenditure cuts and reductions in production costs would help achieve a full-year profit.

The group produces coal and base metals including copper, zinc and lead, and has interests in Australia, Europe and South America.

MIM's headline profit was helped by a net abnormal gain of A$37.1m from its sale of a 25 per cent stake in Norddeutsche copper-gold refinery in Germany. The group would continue to hold a 10 per cent interest in the German facility for the time being, but had signalled its intention to eventually exit Norddeutsche, said Nick Stump, chief executive.

Production shutdowns at various facilities contributed to MIM's weak first-half performance, but had assisted in the expansion of key business units. The main influence on earnings was "lower commodity prices, the lower US dollar-Australian dollar exchange rate and clearly, the copper price, which was down 24 per cent half-year on half-year," he said.

Commodities prices in other areas of production fell across the board, he noted. In addition to copper, he singled out declines of 17 per cent in zinc prices and 14 per cent in lead as contributing to the net loss.

Copper's contribution to MIM's results was mixed, with Alumbrera, the 50 per cent-owned copper-gold mine in Argentina, exceeding production expectations after a slow start in late 1997.

Alumbrera's improved performance included a reduction in cash production costs to US$0.30 a pound, while production costs for copper cathode at the Mt Isa mine in Queensland had fallen to US$0.50 a pound from US$0.60, Mr Stump said.

Combined earnings of zinc, lead and silver also weighed on earnings, delivering a A$8m loss compared with a A$43.8m gain a year earlier. The refurbishment of MIM's Avonmouth smelter in the UK contributed to the loss.

In other operations, however, capital expenditure had begun to pay off, Mr Stump said. Upgrading of coal facilities had helped offset "significantly lower" prices for both steaming and coking coal by higher production.

North, which owns 25 per cent of the Alumbrera copper mine, fared better than MIM, reporting a record interim net profit of A$77m, up from A$75m.

Strong performances from the group's Robe River iron ore operations in Western Australia, its gold division and its Warman mining pump division helped earnings. The result, however, fell short of analysts' expectations, and one warned that North faced lower second-half profit on continuing low prices for uranium and base metals, and falling demand for iron ore.

Malcolm Broomhead, North's managing director, said the company would look to sell non-core assets and further cut costs, including a likely 20 per cent cut in exploration budget to about A$10m, to prepare for a "tough" second half.

Like MIM's Mr Stump, Mr Broomhead cited falling prices for most of North's products. Iron ore in particular, would be affected by negotiations with Japanese steel producers for annual contract prices.

The negotiations, due to end this week, are expected to result in substantial price reductions for iron ore. North had placed more emphasis on efficiency and improving returns, but this was not likely to affect the bottom line until the second half, Mr Broomhead warned.

LEGAL NOTICE

No. 00407 of 1999

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
ROXSPUR PLC
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 21st January 1999 presented to Her Majesty's High Court of Justice for the cancellation of the share premium account of the above named company

AND NOTICE IS FURTHER GIVEN that the Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London, WC2A 2LL on 10th February 1999.

ANY creditor or shareholder of the Company desiring to oppose the making of an order for the confirmation of the cancellation of the share premium account should appear at the time of the hearing in person or by counsel for that purpose.

A copy of the Petition will be furnished to any person requiring the same by the under-mentioned solicitors on payment of the regulated charge for the same.

DATED 29th January 1999

Nabarro Nathanson
50 Stratton Street
London W1X 6NX

Tel: 0171 493 9933

Solicitors to the Petitioner

Ref: BH/RFB/RZV/R1140157

The United Mexican States Floating Rate Privatization Notes Due 2001

The applicable rate of interest for the period February 1, 1999, through and including May 2, 1999, to be paid on May 3, 1999, a period of 91 days, is 5.78219%. This rate is 13/16% above the offered rate for three-month deposits in U.S. Dollars which appeared on the display designated as the British Bankers Association's Interest Settlement Rate (4.96969%) as quoted on the Dow Jones/Telerate Monitor® as Telerate Screen No. 3750 as at 11:00 A.M. (London Time) on January 28, 1999.

The above rate equates to an interest payment of USD 14.616092 per USD 1,000.00 in principal amount of Notes.

BANCO NACIONAL DE MEXICO, S.A.
NEW YORK AGENCY

January 28, 1999

Sun Hung Kai Properties Finance International Limited

H.K. $650,000,000
Guaranteed Floating Rate Notes due 2001
unconditionally and irrevocably guaranteed by

Sun Hung Kai Properties Limited

In accordance with the terms and conditions of the Notes, the rate of interest applicable for the interest period 29th January, 1999 to 30th July, 1999 is 8.13 per cent. per annum.
Interest payable on 30th July, 1999 per Note of H.K. $50,000 will be H.K. $2,026.93.

Bankers Trust Company, Hong Kong — Agent Bank

The CO-OPERATIVE BANK

£75,000,000
Subordinated Floating Rate Notes 2000

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 28th January, 1999 to 28th April, 1999 the following information will apply.

1. Rate of Interest 5.9375% per annum
2. Interest Amount payable on Interest Payment Date: £73.20 Per £5,000 nominal or £732.02 Per £50,000 nominal
3. Interest Payment Date: 28th April, 1999

The Co-operative Bank plc
(Incorporated in England under the Companies Act 1948 to 1980)

Agent Bank
Bank of America International Limited

MARKETS WEEK

February 1 - February 7

LIFFE CONNECT™
LIFFE's New Electronic Trading Platform

NEW YORK

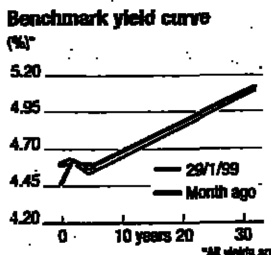
By Richard Waters

Tomorrow's gathering of Federal Reserve policy-makers should be a non-event for the financial markets. The US economy accelerated to a 5.6 per cent growth rate in the final months of 1998, but the employment cost report last week showed inflation remains a distant threat.

The main economic news this week should confirm this picture. The National Association of Purchasing Managers' report for January, released today is likely to show a pick-up after three monthly declines, reflecting some recovery in the manufacturing sector, but at an expected level of only 47, the NAPM index would point to continued weakness for manufacturers.

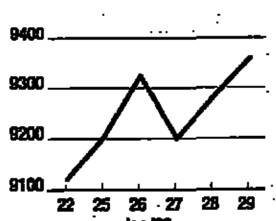
The January employment report, due Friday, is expected to show a slowdown in hiring after December's surge, with hourly wages continuing to grow at an annualised pace of around 3.8 per cent.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dow Jones Industrial Average



Source: Reuters

With the continuing slide in the Brazilian Real, this points to further support for long-term bonds, keeping the yield close to 5 per cent. That may contribute to the more positive tone seen in the stock market last week, as the corporate earnings season drew to a close with few nasty surprises.

LONDON

By Philip Coggan

The Bank of England monetary policy committee meets this week for its monthly look at whether UK interest rates should be altered, with opinion split on whether it will cut rates.

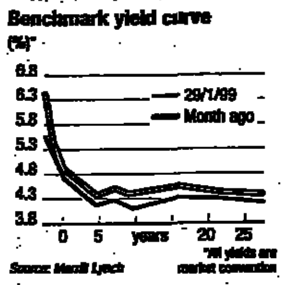
Stronger than expected fourth-quarter gross domestic product growth and a pick-up in sentiment in the latest Confederation of British Industry survey might persuade the members to wait for more data. But 21 of 28 economists polled by Reuters think that a cut will be announced on Thursday, with most expecting a quarter-point drop.

Waverers on the committee will be able to assess a few economic pointers before deciding. The first statistics of the month will be the purchasing managers' index and the provisional M0 (narrow money supply) numbers for January today.

The former will be scrutinised to see if it confirms the impression of the CBI findings; the latter, along with the CBI distributive trade survey on Wednesday, will point to consumer sentiment.

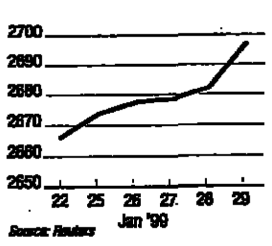
Company results are still thin on the ground but chemicals giant ICI, which had its problems in 1998, announces figures on Thursday.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

FTSE All-Share index



Source: Reuters

FRANKFURT

By Uta Harnischfeger

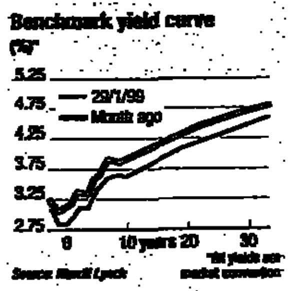
After a week of seemingly random up and down movements, the German stock market should perform better in the days ahead. The continuing decline of Brazil's Real and fears about a devaluation in China dominated the past week.

But by Friday investors stopped worrying as much and the Dax's 2 per cent gain sent a positive signal for the coming week. Starting the week at 5,180 points, the weighted 30-stock Dax Index could test the 5,500 mark in the next few days, according to optimistic observers.

The preconditions are good: the euro has weakened against the dollar, Deutsche Bank has announced a surprisingly good dividend for 1998 and last week's nuclear energy agreement boosted German utility shares. Also, Ford's purchase of Volvo's car division has inspired market talk about possible mergers, takeovers or joint ventures.

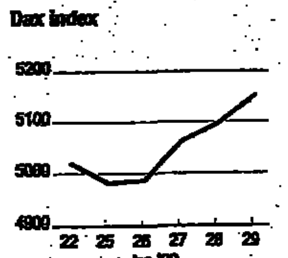
The supervisory board of Preussag, the mixed industrial group, meets today and will hold an earnings press conference tomorrow. On Thursday the governing council of the European Central Bank will meet in Frankfurt. There is a small chance that the ECB could decide to lower interest rates.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Dax index



Source: Reuters

TOKYO

By Alexandra Nusbaum

The market may be pushed down over the next few weeks as companies revise down earnings estimates and begin to unwind cross shareholdings before the March year end, according to Garry Evans, strategist at HSBC. He noted that the construction and banking sectors usually perform poorly in February and March.

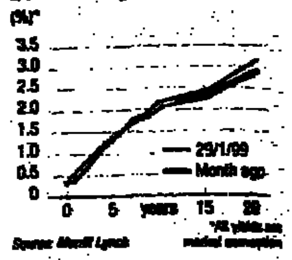
Policy debates over the Liberal Democratic Party's monetisation plans are likely to have the most dramatic effect on the market in the next few weeks.

The market is being supported by rumours that the government will, by the end of the month, have a concrete plan to create equity purchasing vehicles to unwind cross shareholdings, says Cameron Umetsu, senior strategist at Warburg Dillon Read.

However, the bond market may continue to feel pressure from the government's policies, including last week's announcement that the Bank of Japan would underwrite new government bond issues.

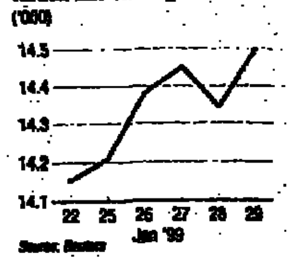
New vehicle sales and the wholesale price index figures will be released this week. Analysts expect this data to be negative.

Benchmark yield curve (%)*



Source: Merrill Lynch *All yields are market convention

Nikkei 225 Average ('000)



Source: Reuters

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998/9 High	1998/9 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
–	F.P.	15.0	100	95	AIM VCT	100		–	–	–	–
–	F.P.	–	95¼	89	Abbey Natl Dublin	89		–	–	–	–
§	F.P.	35.5	123	116½	BFS O'seas Inc	118¾		Hr12.65	–	10.7	–
§	F.P.	3.90	101½	56	Do Cap	97½		–	–	–	–
–	F.P.	15.0	100	90	Close Bros Dev VCT	100		–	–	–	–
–	F.P.	–	148¾	93½	Five Arrows Uts '49	106¾	+¼	–	–	–	–
*	F.P.	36.9	7	7	Gander Properties	7		–	–	–	–
§	F.P.	46.8	99½	94¾	Jupiter Enhanced	98		–	–	–	–
§	F.P.	48.0	110	103¾	Do Zero Div Prf	106¾	+¼	–	–	–	–
§	F.P.	15.0	100	100	Singer&Fnd AIM VCT	100		–	–	–	–
§	F.P.	45.2	341½	192½	†Virtual Internet	225	–20	–	–	–	–
–	F.P.	26.7	96¾	87½	Yeoman II IT Inc	96¼		v9.8	–	10.2	–
–	F.P.	8.01	8	4½	Do Cap	5¼		–	–	–	–
–	F.P.	31.0	116½	102	Do Zero Div Prf	116¼		–	–	–	–
–	F.P.	–	101	96	Do Equity Units	100		–	–	–	–

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Jan 29	% chg since 31/12/98	Mkt Cap $bn	% of Gold Mines	Gross div yld %	Total return	52 week High	52 week Low
Gold Mines Index (29)	932.15	–0.3	30.86	100.00	1.98	937.88	1361.57	701.58
■ Regional Indices								
Africa (9)	1028.75	3.7	8.42	27.29	4.01	1041.07	1488.04	765.63
Australasia (9)	1154.78	–1.0	4.52	14.65	2.61	1165.18	1600.53	815.93
Americas (11)	865.64	–1.8	17.92	58.06	0.87	867.84	1317.41	647.59

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial.

STOCK INDICES

	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	1998 High	1998 Low	Since comp. High	Since comp. Low
FTSE 100	5896.0	5872.5	5878.4	5885.7	5880.9	6179.0	4648.7	6179.0	986.9
FTSE 250	5024.2	4958.9	4903.3	4858.8	4835.2	5988.6	4251.2	5988.6	1379.4
FTSE 250 ex IT	5035.5	4964.9	4903.6	4858.6	4838.0	6030.8	4285.8	6030.8	1378.3
FTSE 350	2792.4	2777.3	2774.1	2773.8	2770.0	2967.6	2233.5	2546.4	664.5
FTSE SmallCap	2131.20	2115.09	2102.82	2094.99	2081.43	2868.08	1834.48	2868.08	1363.79
FTSE SmallCap ex IT	2089.34	2074.80	2061.26	2055.56	2052.86	5554.19	1615.83	5554.19	1363.79
FTSE All-Share	2695.94	2681.14	2677.42	2676.86	2672.99	2885.17	2166.07	2885.17	61.92

	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	1999 High	1999 Low	Since comp. High	Since comp. Low
FTSE Fledgling	1188.17	1183.51	1180.60	1179.52	1177.94	1517.11	1046.17	1517.11	31.14
FTSE Eurotop 100	2786.59	2770.22	2729.19	2723.67	2725.83	3068.91	2049.91	3068.91	2044.47
FTSE Eurotop 300	1214.89	1207.78	1191.12	1187.54	1186.50	1327.68	893.55	1327.68	874.08
FT 30	3555.5	3505.7	3498.4	3483.6	3448.7	3984.0	2808.8	3984.0	49.4
FT Govt. Securities	117.02	116.86	116.93	117.04	116.77	117.17	93.31	141.84	49.18
FT Fixed Interest	158.26	158.29	158.30	158.32	158.22	158.45	115.32	158.45	50.53
FTSE Gold Mines	932.15	905.96	922.21	940.96	984.27	1361.57	701.58	2074.81	701.58

COMPANIES DIARY

The calm before the storm of results

This week marks a calm before the storm of results that start to flow rapidly later in the month. A point of interest is likely to be the results from housebuilder Crest Nicholson, where any comments on current trading and the outlook for the housing market will be keenly studied. News of disposals may come from ICI and BAA.

Sir Ronald Hampel, chairman of ICI: results should contain few surprises

TODAY

● Third-quarter figures from BAA, the airports operator, will probably be distorted by a series of factors. The rebalancing of landing charges from the first half to the second should add £4m to Q3 profits, while the 7 per cent growth in Q3 passenger numbers should combine with the rise in profits at Stansted. The result should be a £10m rise in airport operating profits, despite a flat spend per passenger, according to Williams de Broë. However, Heathrow Express is still in the start-up phase and will have lost some £10m in Q3. Investor interest is expected to focus on further disposals, while the likely abolition of duty-free sales is expected to restrain growth.

TUESDAY

● Results from housebuilder Crest Nicholson will be keenly analysed by investors for indicators as to the state of the UK housing market. Housebuilding stocks have suffered low ratings in the past year as investors have valued them to take account of a deep recession in the housing market. However, recent days have seen some builders enjoying a rerating, particularly as results from Bryant produced no bad news. Analysts expect Crest to produce some £27.3m pre-tax, up from £20.5m.

● Independent Energy, the Aim-traded distributor of electricity to more than 2,500 small businesses, is expected to produce interim pre-tax profits of £650,000; but this is forecast to rise to £5m by the year end, reflecting the impact of deregulation on the market. The company recently acquired a 50 per cent stake in a power generation business at Milford Haven, increasing its generation capacity to 36.5MW.

THURSDAY

● Final figures from chemicals group ICI should contain few surprises, as the company said earlier this month that pre-tax profit is expected to exceed £315m and it would maintain the dividend at 32p. BT Alex Brown has told clients that it expects the results to show that the core speciality chemicals side is proving resilient in the face of tough markets. Investor attention is expected to focus on any news of disposals and details of cash management, with positive news expected on both fronts. The broker expects underlying pre-tax profits for the year to December to fall 17 per cent to £320m, although the headline figure is likely to drop some 43 per cent to £296m.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
MCL Auto Loan Fndg Cp(b)‡	222	Sep 2003	(b1)	100.00	-	-	Tokyo-Mitsubishi Intl
GECC(c)	200	Feb 2003	5.00(l)	99.95R	5.014	-	Warburg Dillon Read
Municipality Finance plc★	76	Feb 2004	4.82(d)	100.00	-	-	IBJ Intl/New Japan
Woolwich plc‡	300	Feb 2004	(f)	99.95R	-	-	Morgan Stanley DW
Nordic Investment Bank(g)	150	Feb 2008	5.875	103.698	5.347	+62(4¾Nov08)	Salomon Smith Barney
Toldekan★(l)	123	Aug 2008	11¾(l)	100.00	11.37	+670(9yr)	BT Alex Brown
Crédit Local de France‡	1.5bn	Feb 2002	(m)	99.957R	-	-	Morgan Stanley DW
Inter-American Dev Bank	1bn	Feb 2004	5.125#	99.821R	5.166	+58(4¼Nov03)	Deutsche/Goldman
ING RIFFFH(n)‡	500	Aug 2002	(n1)	100.00	-	-	Lehman Brothers Inc
BOS Intl(Australia)‡	400	Feb 2002	(o)	99.993R	-	-	Morgan Stanley DW
GECC(l)	150	Nov 2005	5.125	99.835	5.151	+50(4¼Nov03)	Paribas
Federal Home Loan Banks	150	Feb 2000	zero	95.389	4.834	-	Nomura International
Household Finance Corp	1.3bn	Feb 2009	5.875#	99.435R	5.951	+126(Nov08)	Salomon/Warburg
Mass Transit Railway Corp	750	Feb 2009	7.50#	99.584R	7.560	+287½(Nov08)	Goldman/Merrill Lynch
Commerzbank AG	500	Feb 2004	5.375	99.71R	5.443	+89(4¼Nov03)	Commerzbank/Warburg
De NIB‡	500	Feb 2002	(t)	99.845R	-	-	Nomura International
Swedbank‡	400	Feb 2002	(z)	99.914R	-	-	Salomon Smith Barney
National Australia Bank‡	300	Feb 2001	(A)	99.985	-	-	Deutsche Bank
Credit Suisse Group Finance	250	Feb 2003	5.50	99.786R	5.561	+90(4¼Nov03)	CSFB
City of Montreal	80	Feb 2004	5.375	101.32	-	-	Dexia Capital Markets
BMW UK Capital plc	200	Feb 2002	4.25	97.13R	5.310	+65(4½Jan01)	Commerzbank
STERLING							
Halifax plc	100	Feb 2002	5.00	99.89R	5.074	+56(7%Jun02)	HSBC DS Global Markets
Severn Trent Water Util Fin	300	Feb 2024	6.125	99.922R	6.131	+175(8%-21)	Barclays/HSBC Markets
Halifax Intl Finance	125	Feb 2002	5.00	99.69R	5.118	+56(7%Jun02)	Greenwich NatWest
Bayerische Landesbank	100	Feb 2009	zero	62.38R	4.832	+87½(Dec28)	HSBC DS Global Markets
Northern Rock plc(H)‡	50	Feb 2004	(H1)	100.00	-	-	Greenwich NatWest
YEN							
Sega Enterprises(a)	50bn	Mar 2003	zero	100.00	-	-	Nomura International
SWISS FRANCS							
Halifax plc(D)	100	Aug 2003	2.25	102.00	-	-	Deutsche Bank(Switz)
Tasaki Shinju Co★	72	Feb 2003	2.50	100.35	-	-	Banca del Gottardo
CS Group Finance	250	Mar 2004	2.50	100.75	-	-	CSFB
Inst de Credito Oficial(D)	200	Dec 2003	2.25	102.10	-	-	CSFB
BNG	300	Mar 2005	2.25	101.55	-	-	CSFB
GECC	150	Mar 2002	2.00	101.80	-	-	B Paribas/Deutsche
D-MARKS							
Republic of Turkey	750	Feb 2003	9.25	99.50R	9.408	-	Commerz/Deutsche
DANISH KRONER							
Bacob Overseas Ltd	400	Dec 2006	4.25(e)	101.65	-	-	ING Barings-BBL

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
EUROS(e)							
Olivetti Intl NV(k)	1.5bn	Feb 2009	5.00	99.616R	5.050	+142(Jan09)	Lehman Brothers Intl
World Bank(q)	60	Feb 2029	(d1)	99.10R	-	-	Merrill Lynch Intl
Argentia Nederland	50	Feb 2006	4.35	100.00	-	-	BCEE
Kingdom of Belgium	5bn	Mar 2009	3.75(s)	98.698R	3.91	+26(3¾Jan09)	ABN/Generale/Warburg
GMAC	750	Feb 2006	4.00	99.772R	4.038	+63(6%Jan06)	Deutsche/Merrill Lynch
Republic of Hungary	500	Feb 2009	4.375	98.924R	4.511	+87(3¾Jan09)	UG Bank/JP Morgan
European Inv'ment Bank(h)	100	Mar 2006	7.80	101.875	-	-	Adik-Geer
Toldekan★(l)	75	Aug 2008	11¾(l)	100.00	11.37	+773(Jan09)	BT Alex Brown
Bouygues(a)§	450	Jan 2006	1.70(a)	100.00	-	-	BNP
Credit Suisse Grp Finance(F)	250	Feb 2004	3.75	99.68R	3.822	+60(5½Apr04)	CSFB
Deutsche Bank (Lux) SA	200	Mar 2009	4.50	99.525R	4.560	+89(3¾Jan09)	Deutsche Bank
BES Finance Ltd(v)‡	100	Feb 2004	(v)	99.875R	-	-	CSFB/Deutsche Bank
EBRD‡	80	Feb 2019	(w)	99.75R	-	-	Lehman Brothers Intl
DePfa Bank AG(p)	3bn	Jan 2009	3.75(s)	98.177R	3.98	+35(3¾Jan09)	Commerzbank/MSDW
Kingdom of Sweden	2bn	Apr 2006	3.50(s)	99.205R	3.629	+12(6¼Apr06)	ABN Amro/Deutsche
Abbey National plc	500	Feb 2011	4.625	99.772R	4.659	+100(Jan09)	Lehman Brothers
Alcatel Obligations(B)§	457	Feb 2005	1.50	100.00	-	-	CCF/CDC/CLyon/Paribas
Bank of Nova Scotia‡	300	Feb 2002	(C)	99.95R	-	-	SG
Nordbanken(G)§	100	Apr 2004	4.25	100.00	-	-	SG
GREEK DRACHMA							
Inter-American Dev Bank	20bn	Feb 2002	6.25	99.8175R	6.281	-	Deutsche Bank
Republic of Italy	40bn	Feb 2004	(J)	99.275R	5.236	-	BCI
CZECH KORUNA							
BGB Finance (Ireland)	2bn	Feb 2009	7.75	100.005R	7.745	-	Deutsche Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Conversion price: Y2,285. Callable from 1/4/00, subject to 130% hurdle, at par. b) Secured on Japanese auto loan receivables originated by Mitsubishi Auto Credit-lease Corporation. Average life: 1.22 yrs. b1) 1-mth Libor +55bp. c) $250m launched on 7/1/99 increased by $100m at 99.93 and $100m at 99.83. d) Redemption price: 186%. d1) 12% in yr 1, 8% in yr 2, 4% in yrs 3-6, then zero. e) Spread relates to German government bonds unless stated. f) 3-mth Libor +10bp. g) Fungible with $500m. No accrued. h) Redemption linked to any fall in Dow Jones Stoxx 50; max par. l) Over interpolated yield. j) Callable annually from 1/2/04. k) Includes €250m increase at 99.723R, +139bp. l) Long 1st coupon. m) 3-mth Libor flat. n) High Income Principal Preservation Fund Holdings. Secured on loan portfolio guaranteed by Ambac Assurance Corp. n1) 1-mth Libor +40bp; short 1st and short last. o) 3-mth Libor +6¼bp; long last. p) Oeffentliche Pfandbriefe. q) Quarterly coupons. s) Short 1st coupon. t) Fungible with $400m. Plus 77 days accrued. u) Each £262.4 bond convertible on 1:1 basis. Callable from 1/1/03, subject to 115% hurdle, at par. Greenshoe: €40m. v) €300m launched on 29/1/99 was increased to €400m. v1) 3-mth Euribor +15bp. w) 12% in yr 1, 4% in yrs 2-7, then 6% - 12-mth Euribor. x) Fungible with SFr350m. Plus 210 days accrued. y) 3-mth Libor flat. z) 3-mth Libor +7½bp. A) 3-mth Libor flat. B) Each €2,287 bond exchangeable into 10 shares of Pinault Printemps-Redoute. Indicated redemption price: 110.64-113.86%. Callable from 22/2/02 subject to 120% hurdle. C) 3-mth Euribor +8bp. D) Fungible with SFr300m. Plus 98 days accrued. F) Spread relates to French govt bonds. G) Each €124 bond convertible into 10 shares. Callable from 1/4/02 subject to 130% hurdle at par. Greenshoe: 15%. H) Issuer can convert into FRN paying 3ML +30bp. H1) 6.3% in yr 1, then 5.85%. J) 7% in yr 1, 5% in yr 2, 4½% in yrs 3-4, then 4%. Note: Yields are calculated on ISMA basis.

صكنا من الاصل

WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey National 5.56% Und Sb Nts Y2780000.0
Abbey National Fdg 6.1% Dual Currency Gtd NtSs 1999 Y2541.66
Abbey National Treasury 6¼% Gtd Nts 2000 $62.50
Aberdeen Gas Anns 12.5p
Acal 4.1p
AEA Technology 3.5p
Allied London Properties 10% Cm Pf 5p
Ameritech $0.3175
AT & T $0.33
Bankers Tst Int Step-down Coupon Nts Jan 2001 £10.02
BBA 5% Cm Pf 1.75p
Bell Atlantic $0.385
BellSouth $0.19
BLP Cv Pf 4p
BP Amoco 6p
CALA 4% Cm Pf 1.4p
Campbell Soup $0.255
Consolidated 4% Ln £2.0
De Beers 8% Gross Cm 2nd Pf R0.04
Dudley 7% Ln 2019 £3.50
Dunedin Inc Grwth Inv Tst 3½% Cm Pf £1.75
Fleming Mercantile Inv Tst 2.5p
Govett Strategic Inv Tst 5% Cm Pf 1.75p
Granada Cv Pf 3.75p
Great Universal Stores 6.2p
Greene King 5.85p
Investment Co 2p
Jenners Princes Street Edinburgh 10% Cm Pf 5p
Johnson Matthey 5.7p
Land Sec 10% 1st Mtg Db 2030 £5.0
Law Debenture 3.85% Cm Pf 1.925p
Leeds & Holbeck Bldg Scty 13⅜% Perm Int Brg £66.875
Lewis (John) 5% Cm 1st Pf 1.75p
Do 7% Cm Pf 2.45p
Lincoln National $0.55
M & G Inc Inv Tst 1.2p
Do Geared Units 1.2p
Do Package Units 1.2p
MY Hldgs 2p
Manchester 3% 1891 Rd £1.50
Merchants Tst 3.65% Cm Pf 1.825p
Met Water Board New River 3% Db £1.50
Meyer Int 5p
Monks Inv Tst 3.5p
Moorepay 2.25p
New York 7% Ser C Euronts 1999 $350.0
Do 7⅜% Ser D Euronts 2000 $368.75
Northumbrian 9¼% Bd 2002 £925.0
Northumbrian Water 4¼% Rd Db 2012 £2.125
Do 12% Rd Db 2004 £2.125
Orange 8% Nts 2008 $41.56
Do 8⅝% Nts 2008 £44.80208
Salvesen (C) 2.45p
Scapa 2.05p
Shell Trans 7% Cm 2nd Pf 2.45p
Sumitomo Realty & Dev 3.9% Nts 2000 Y390000.0
Tiger Oats 5½% Gross Pf R0.055
Tinsley (Eliza) 2.31p
Torchmark $0.09
Tyco Int $0.025
Whitbread 4½% 2nd Cm Pf 1.575p
Do 8¼% Bd 2007 £82.50
Wilshaw 0.3p
Witan Inv 2.7% Cm Pf 1.35p
Workspace 5.5p
Young & Co's Brewery 4.2% Cm Pf 2.1p
Do 9% Cm Pf 4.5p

■ TOMORROW
Abbey National Fdg 5.8% Dual Currency Gtd Nts 2000 Y2416.66
Cons Bultfontein R0.045
De Beers 40% Gross Pf R1.0
Edinburgh Worldwide INv Tst 0.25p
F & C Smaller Co's 1.12p
Griqualand West R0.21
Harveys Furnishing 3p
Henderson Elec & Gen Inv Tst 1.85p
Ivory & Sime Optimum Inc Tst 1.35p
Lambert Fenchurch 1.45p
Second St Davids Inv Tst 8p

■ WEDNESDAY FEBRUARY 3
Advanced Power Components 0.8p
Blacks Leisure 2p
Bogod 0.15p
Do A Rest/Vtg 0.3p
Japan Dev Bank 9⅛% Gtd Bd 2005 £91.25
Meconic 2p
MEPC 8p
RM 1.8p
Seiyu 3.8% Bd 1999 Y380000.0
Wall Street Fin 3¾% Sb Cv Bd 2004 $37.50

■ THURSDAY FEBRUARY 4
BAA 6⅜% Bd 2028 £31.875
Care UK 1p
Chelsea Bldg Scty Sb FRN 2004 £4690.58
Farlake 4p
Norbain 3.7p
Richmond Foods 0.5p
Syltone 2.25p
Victrex 3.63p

■ FRIDAY FEBRUARY 5
American Opportunity Tst 0.5p
Boots 7.1p
Eldridge Pope 4.1p
Export-Import Bank of Japan 8% Gtd Bd 2007 £80.0
Govett High Inc Inv Tst 2.24p
Landround 3.4p
Latham (J) 3.5p
MFI Furniture 0.7p
Majedie Invs 3.4p
Metrotect Inds 0.4p
New York Fltg Rate Euronts 1998-2002 $114.28
Pennon 10⅝% Bd 2012 £1062.50
Plysu 2.2p
Racal Elec 2.1p
Shaftesbury 1.65p

■ SATURDAY FEBRUARY 6
Treasury 9% 2012 £4.50

■ SUNDAY FEBRUARY 7
Adare Printing IR5.38p

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Aukett Associates, 2, Great Eastern Wharf, Parkgate Road, S.W., 12.00
Dewhurst, Melbourne Works, Inverness Road, Hounslow, Middx., 11.00
Network Technology, Thistle Hotel, Kings Road, Brighton, East Sussex, 12.00
Treatt, Bedford Lodge Hotel, Bury Road, Newmarket, Suffolk, 11.30
BOARD MEETINGS:
Finals:
Beale
Birchin Int
Interims:
Mid Wynd Int
Uno
Whittard of Chelsea

■ TOMORROW
COMPANY MEETINGS:
Chemex Int, 44, Worship Street, E.C., 11.00
Electronic Data Processing, Tapton Masonic Hall, Shore Lane, Sheffield, 12.00
BOARD MEETINGS:
Finals:
Arm
Crest Nicholson
Internet Tech
Skillsgroup
Interims:
Eurodis Electron
Gartmore British Inc & Growth
Independent Energy
Northamber

■ WED FEB 3
COMPANY MEETINGS:
Firth Rixson, Stakis Hotel, Victoria Quays, Furnival Road, Sheffield, 11.45

■ THUR FEB 4
COMPANY MEETINGS:
API, Savoy Hotel, Strand, W.C., 11.00
Denmans Electrical, Narrow Quay House, Narrow Quay, Bristol, 12.30
RCO, 20, Old Bailey, E.C., 3.00
BOARD MEETINGS:
Final:
Fitness First
Interim:
Cammell Laird

■ FRI FEB 5
COMPANY MEETINGS:
Slimma, Hanover International Hotel, Derby Road, Ashbourne, Derbyshire, 10.00
BOARD MEETINGS:
Finals:
ECsoft
Heavitree Brewery

Company meetings are annual general meetings unless otherwise stated. Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

CONFERENCES, VENUES AND COURSES

CONFERENCES

Conferences, Venues & Courses

FEBRUARY 11
Driving Technology Transfer: Growing Enterprise In Universities
One day CVCP conference to explore the benefits of technology and knowledge transfer for universities and their links with industry.
Contact: Neil Stewart Associates
Tel: 0171 240 9393
Fax: 0171 240 8833
e-mail: mail@neilstewartassociates.com
QEII, LONDON

February 16
NEW STATESMAN DEMOS
Mutuality - An Economic Third Way?
Using the Mutual Model for National & Local Economic & Social Gain, Cumberland Hotel, London W1
This conference will examine how the mutual model can be developed over the decades ahead and the implications of change for organisations in central and local government, financial services, housing associations and regeneration bodies. Speakers include: Patricia Hewitt MP, Brian Davis, Charles Leadbeater, Christopher Rodrigues, Andy Love MP, Ian Hargreaves.
UNISON
Supported by:
The Association of Friendly Societies and The Building Societies Association.
For more information contact:
Neil Stewart Associates
tel: 0171 240 9393 fax: 0171 240 8833

3rd Annual Urban Land Institute International Real Estate Investment & Finance Conference
How will the Euro and world financial markets affect capital flows, development and the end user?
Find out. Join Sam Zell, Lord Currie of Marylebone, Willi Alda, John Gomez Hall, Jan Doets, Jan de Kreij, Michel Pariat and real estate industry leaders from across Europe and around the world!
Tel. 44-181-748-0101
Fax 44-181-741-1199
E-mail ulieurope@uli.org
Le Carrousel du Louvre, Paris
Urban Land Institute

FEBRUARY 23
Business with the New Italy
Cityforum and the Italian Chamber of Commerce bring together an exceptional panel including The Minister for Foreign Trade, The Italian Treasury, Italian industrialists and bankers, to examine prospects for business with the New Italy. Sponsored by Freshfields, Confcommercio, Cassa di Risparmio di Perugia and Il Sole 24 Ore.
Contact: Cityforum Ltd
Tel: 01225 466744
Fax: 01225 442903
e-mail: 106703.2270@compuserve.com
LONDON

February 24 - 25
Software Business Network
Spotlight on UK Software Industry
Featuring keynote address:
Rt. Hon. Stephen Byers, Secretary of State for Trade & Industry.
50+ showcase presentations from UK's hottest software companies.
Sponsored by:
• PricewaterhouseCoopers
• Taylor Joynson Garrett
• Warburg Dillon Read • London Stock Exchange • Durlacher
• Regent Associates • Elderstreet International • European Technology Forum • CSSA • DTI
To register contact:
Zoë Hemming,
Software Business Network
Tel: +44 171 395 6717 or
email: zoe.hemming@cssa.co.uk
UK SOFTWARE FORUM
Hotel Inter-Continental, London

MARCH 3 & 4
FT New Media Conference
In the aftermath of the launch of digital television in the UK, the Financial Times New Media conference will examine the state of play in the digital market. Distinguished Speakers include: Mr Ian West, Sky Entertainment; Mr Tony Illsley, Telewest Communications plc; Mr Adam Singer, Flextech plc; Mr David Docherty, BBC and Mr Stephen Grabiner, Ondigital.
Contact: Catherine MacSweeney
FT Conferences
Tel: (+44) 171 873 3162
Fax: (+44) 171 873 3067
Email: catherine.macsweeney@FT.com
LONDON

March 3 - 5
Market & Competitive Intelligence: Understanding the Impact
Marketing • Research • Intelligence • Competition • Knowledge • Management
Conference for Marketing Professional / Market Researchers / Senior Managers featuring: The Intelligence Cycle, Synergy with traditional Market Research, Ethics & Global Perspectives, Highly interactive programme of Papers, Panel Discussions & Working Groups
Venue: Intercontinental Hotel, Geneva (Switzerland)
For programme/registration contact:
ESOMAR (European Society for Opinion and Marketing Research)
Tel: +31-20-6642141
Fax: +31-20-6642922
Email: conference@esomar.nl
Website: www.esomar.nl
ESOMAR
London

Fourth Roundtable with the Government of Poland
The Economist Conferences' Roundtable is your opportunity to meet President Aleksander Kwasniewski, Prime Minister Jerzy Buzek and many other senior politicians to discuss the key issues for your business: The planned $4.3bn privatisation programme ◆ Balancing fiscal probity with systemic reform ◆ Regional incentives for inward investment ◆ The new three-tier pension system ◆
In association with:
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Gerlinde de Leonardis
The Economist Conferences
Tel: (43.1) 712 41 61 32
Fax: (43.1) 712 41 65
The Economist Conferences
Warsaw, Poland

MARCH 9 - 10
Gulf 99 - Energy, Infrastructure & Finance
Experts speak on: • Energy markets to 2005 • Infrastructure privatisation & developments • Power projects in Egypt, Iran & Saudi Arabia • Infrastructure finance in Saudi Arabia & the Gulf. • Abu Dhabi privatisation programme.
Contact details: Michael Lefante at:
Tel: +44 171 470 6407
Fax: +44 171 430 0337
E-Mail: Michaell@meed.emap.co.uk
Abu Dhabi, UAE

March 9 - 11
International Hotel Investment Forum. A Focus on Europe
A powerful and thought-provoking conference on today's complex and rapidly changing European hotel markets will provide a timely forum to address issues important to the European and International hotel investment community.
Conference Chairman - Sir Ian Prosser, Chief Executive of Bass PLC
Contact Tess Pearson,
Advanstar Communications
Tel: 01244 378888
Fax: 01244 370011
Hotel Inter-Continental Berlin, Germany

MARCH 11
FT UK Stakeholder Pensions Conference
Speakers include: The Rt Hon Frank Field, MP; Mr Chris Evans, Department of Social Security; Mrs Caroline Instance, Occupational Pensions and Regulatory Authority; Mr Andrew Young, Government Actuaries Department; Mr Richard Stroud, The Pensions Trust; Mr Nick Page, Human Resources Directorate, CBI and Mr Robert Nuttall, BBC.
Contact: Joanna Edwards
FT Conferences
Tel: (+44) 171 873 3374
Fax: (+44) 171 873 3067
Email: joanna.edwards@FT.com
LONDON

MARCH 18 & 19
FT European Pensions
Distinguished speakers include: Professor Mario Monti, Member of the European Commission; Mr Kees van Rees, Managing Director Shell Pensions Fund, Chairman, European Federation of Retirement Provision; Mr Martin Jack, Director of IBM Retirement Funds, EMEA, IBM UK Ltd; Mr Bruce Garner, Head of Pensions, BP Amoco p.l.c. and Ms Ruth Goldman, Head of Pensions, Linklaters & Alliance.
Contact: Joanna Edwards
FT Conferences
Tel: (+44) 171 873 3374
Fax: (+44) 171 873 3067
Email: joanna.edwards@FT.com
BRUSSELS

Find out what opportunities CROATIA can offer for your company - attend
The Economist Conferences' Second Roundtable with the Government of Croatia
You will have the opportunity to listen to presentations from Prime Minister Zlatko Matesa, Deputy Prime Minister Borislav Skegro and many other senior politicians.
You will also be able to meet and network with other businesspeople keen to establish and strengthen operations in Croatia. The Roundtable is an excellent chance to share experiences, concerns and opinions with speakers and your peers!
In association with:
Bank Austria Creditanstalt
Monika Davies
The Economist Conferences
Tel: (43.1) 712 41 61 15
Fax: (43.1) 712 41 65
Zagreb, Croatia

MARCH 30 & 31
Central & Eastern European Power Industry Forum
High-level forum for ministry officials, utilities, advisors, investors analyzes gas and electricity sector co-operation, project financing, privatization, investment.
"Energy Regulation and Energy Trade" Pre-Conference Seminar March 29.
Venue: Sheraton Hotel
Contact: PennWell Publishing UK C&E
Tel: 44 1708 342222
Fax: 44 1708 379344
email: pennwell@compuserve.com
Warsaw, POLAND

APRIL 22 & 23
FT World Pharmaceuticals
The pharmaceuticals industry now faces unprecedented challenges as we enter the millenium. This FT conference will reflect on the industry's successes and investigate the new challenges being set by its customers and sponsors, considering how it will need to shape itself for the first decade of the 21st Century.
Contact: Joanna Edwards
Tel: 0171 873 3374
Fax: 0171 873 3067
Email: joanna.edwards@ft.com
www.ftconferences.com
LONDON

APRIL 29
Japanese Financial Markets
Can the Japanese economy survive financial restructuring? This one-day seminar will examine the current position of the Japanese economy, covering issues from corporate governance, state finances and labour market policy to structural reform and the real outlook for the future.
Contact: Joanna Edwards
FT Conferences
Tel: (+44) 171 873 3374
Fax: (+44) 171 873 3067
Email: joanna.edwards@FT.com
LONDON

APRIL 22
Competing Through Skills
This high-profile conference sponsored by Forum Europe and DfEE will tackle the problem of widespread skill shortages in financial institutions as leadership, behavioural and IT skills become even higher on the agenda for the next millennium.
Tel: (+44) (0) 1892 526757
Fax: (+44) (0) 1892 542988
LONDON

COURSES

FEBRUARY 15 - 17
Power Ink's UK Generation Workshop
In association with Mott MacDonald. Three-day intensive course designed as a one-stop management briefing for executives. Invaluable to those seeking a thorough grounding in generation and related issues.
Approved by:
The Institute of Energy.
Tel. Karen 44 (0)1273 202920
Brighton Metropole, ENGLAND

FEBRUARY 22 - 24
birchin - partners in financial knowledge
Introduction to Capital Markets
• Background/Development: Domestic/International Markets, Disintermediation, Securitisation, Participants, Regulations • Bonds: Yields, Risk/Reward, Ratings, Fixed/Floating • Currency and Interest Risk on Capital Market Instruments • Equities and Hybrids, Stock Exchange Listings and Trading.
3 Days
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LANGUAGE COURSES

CURRENCIES & MONEY

Rates in focus

Currency markets this week are likely to focus on prospects for further monetary easing. The Bank of England begins a monthly two-day meeting on Wednesday to decide on interest rates and expectations are growing that they will be cut.

A poll of economists by the Reuters news agency suggests the Bank will reduce rates again from 6 per cent. Of the 28 economists questioned, 19 predicted the Bank would lower the repo rate by 25 basis points while two believed it would cut by 50 points.

Confidence among business and consumers appears to have rebounded from autumn lows, but retail sales are weak.

The manufacturing sector, which is still struggling with a relatively strong pound, remains under immense pressure from more competitively priced producers overseas.

"Survey data have also been mixed, with the first signs that falling base rates are at least starting to stabilise sentiment" according to HSBC. "We continue to believe that a number of monetary policy committee members see the current stance of policy as too tight."

Elsewhere, the European Central Bank meets to discuss interest rates on Thursday, with no change expected from the current level of 3 per cent.

The US Federal Reserve is due to announce the outcome of its meeting on Thursday evening. It is also likely to leave rates steady.

The Brazilian Real, which plummeted to new lows last week as foreign currency continued to pour out of the economy, is likely to keep dealers edgy.

On Friday, the Real weakened sharply, sinking to R$2.10 versus the dollar. The 7 per cent slide in one day brought the currency's total devaluation to 42 per cent since the central bank was forced to abandon its controlled exchange rate on January 13.

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

† Rates for Jan 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

WORLD INTEREST RATES

MONEY RATES

Jan 29	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Euro-zone	3⅛	3½	3¼	2⅞	2⅞	-	3.00	3.00
week ago								
Switzerland	1½	1½	1¼	1½	1⅝	-	1.00	-
week ago	¾	⅞	1⅛	1½	1⅜	-	1.00	-
US	4¾	4¾	4⅞	4¾	5	-	4.50	-
week ago	4⅞	4⅞	4⅞	4⅞	4⅞	-	4.50	-
Japan	⅛	⅛	⅛	⅛	⅛	-	0.50	-
week ago	⅛	¼	¼	⅛	¼	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	4⅝	4⅞	4⅞	5⅛	-	-	-
week ago	-	4⅝	4⅞	4⅞	5	-	-	-
US Dollar CDs	-	4.73	4.73	4.73	4.75	-	-	-
week ago	-	4.77	4.77	4.71	4.70	-	-	-
Euro Linked Ds	-	3⅛	3⅛	3⅛	3⅛	-	-	-
week ago	-	3⅛	3⅛	3⅛	3⅛	-	-	-
SDR Linked Ds	-	3⅛	3¼	3⅛	3⅛	-	-	-
week ago	-	3⅝	3¼	3⅛	3⅛	-	-	-
BBA Euro Libor	-	3⅛	3⅛	3	2⅞	-	-	-
week ago								
Euro Euribor	-	3.119	3.074	3.011	2.981	-	-	-
week ago								
EONIA	3.12	-	-	-	-	-	-	-
week ago								
EURONIA	3.1278	-	-	-	-	-	-	-
week ago								

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am.
Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

Jan 29	Short term	7 days notice	One month	Three months	Six months	One year
Euro	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3	3⅛ - 2⅞	3⅛ - 2⅞
Danish Krone	3⅞ - 3⅞	3⅞ - 3⅞	3¾ - 3⅞	3⅞ - 3⅞	3⅞ - 3¾	3⅞ - 3¾
Sterling	8 - 6	6⅛ - 5⅞	5⅞ - 5⅞	5¾ - 5⅞	5⅞ - 5⅞	5⅛ - 5⅞
Swiss Franc	1⅛ - ⅞	1⅛ - ⅞	1⅝ - 1⅛	1¼ - 1⅛	1⅝ - 1⅛	1⅝ - 1⅜
Canadian Dollar	5¼ - 5⅛	5⅛ - 4⅞	5⅛ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	5 - 4⅞
US Dollar	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4¾	5 - 4⅞	5⅛ - 4⅞
Japanese Yen	⅛ - ¼	⅜ - ⅛	⅛ - ⅛	⅛ - ⅛	⅜ - ⅛	⅛ - ⅛
Asian $Sing	¼ - -	2 - 1	1⅛ - 1	1⅞ - 1⅛	2¼ - 1⅞	2½ - 2⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.06	95.04	-0.02	95.06	95.03	44,940	463,241
Jun	95.13	95.09	-0.04	95.14	95.06	64,374	428,200
Sep	95.15	95.11	-0.05	95.16	95.07	109,008	387,639

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.74	95.77	-	95.76	95.70	83	1,985
Jun	95.83	95.89	-	95.84	95.83	6	110

All Open Interest figs. are for previous day

■ OTHER CURRENCIES

Jan 29	£	$
Czech Rp	53.2434 - 53.3382	32.4200 - 32.4580
Hungary	360.058 - 360.606	219.240 - 219.440
Iran	4929.90 - 4926.90	3000.00 - 3000.00
Kuwait	0.4970 - 0.4974	0.3026 - 0.3027
Peru	5.5165 - 5.5248	3.3598 - 3.3620
Poland	6.0305 - 6.0432	3.6720 - 3.6775
Russia	37.9700 - 38.1574	23.1200 - 23.2200
U.A.E.	6.0317 - 6.0358	3.6727 - 3.6730

BANK RETURN

The Bank Return table can be found on page 27 in today's edition.

■ POUND IN NEW YORK

Jan 29	---Close---	-- Prev. close --
£ spot	1.6485	1.6505
1 mth	1.6453	1.6492
3 mth	1.6438	1.6474
1 yr	1.6410	1.6448

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.44	16.26	4.848	1.952	4800	5.453	21.21	497.0	412.5	21.97	3.996	1.714	4.253	2.815	327.4	2.479
Denmark	(DKr)	54.24	10	8.819	2.630	1.059	2603	2.963	11.50	269.5	223.7	11.92	2.167	0.929	2.307	1.527	177.5	1.344
France*	(FFr)	61.50	11.34	10	2.982	1.201	2952	3.360	13.04	305.6	253.7	13.51	2.457	1.054	2.616	1.731	201.3	1.525
Germany*	(DM)	20.63	3.803	3.354	1	0.403	990.0	1.127	4.374	102.5	85.07	4.532	0.824	0.353	0.877	0.581	67.52	0.511
Ireland*	(I£)	51.22	9.444	8.329	2.483	1	2459	2.798	10.86	254.6	211.3	11.25	2.047	0.878	2.178	1.442	167.7	1.270
Italy*	(L)	2.083	0.384	0.339	0.101	0.041	100	0.114	0.442	10.35	8.593	0.458	0.083	0.036	0.089	0.059	6.820	0.052
Netherlands*	(Fl)	18.31	3.375	2.977	0.888	0.357	878.6	1	3.882	90.97	75.50	4.022	0.731	0.314	0.779	0.515	59.90	0.454
Norway	(NKr)	47.15	8.694	7.667	2.286	0.921	2263	2.576	10	234.3	194.5	10.36	1.884	0.808	2.005	1.327	154.4	1.169
Portugal*	(Es)	20.12	3.710	3.272	0.976	0.393	965.8	1.099	4.267	100	82.99	4.421	0.804	0.345	0.856	0.566	65.87	0.499
Spain*	(Pta)	24.24	4.470	3.942	1.175	0.473	1164	1.324	5.142	120.5	100	5.327	0.969	0.415	1.031	0.683	79.37	0.601
Sweden	(SKr)	45.51	8.391	7.400	2.207	0.889	2184	2.486	9.652	226.2	187.7	10	1.818	0.780	1.936	1.281	149.0	1.128
Switzerland	(SFr)	25.03	4.615	4.070	1.213	0.489	1201	1.367	5.308	124.4	103.2	5.499	1	0.429	1.064	0.705	81.93	0.620
UK	(£)	58.35	10.76	9.489	2.829	1.139	2801	3.188	12.38	290.0	240.7	12.82	2.332	1	2.482	1.643	191.0	1.447
Canada	(C$)	23.51	4.335	3.823	1.140	0.459	1129	1.284	4.987	116.9	96.98	5.167	0.940	0.403	1	0.662	76.97	0.583
USA	($)	35.52	6.549	5.776	1.722	0.693	1705	1.940	7.533	176.5	146.5	7.805	1.419	0.609	1.511	1	116.3	0.881
Japan	(Y)	30.55	5.632	4.967	1.481	0.596	1466	1.669	6.479	151.8	126.0	6.712	1.221	0.524	1.299	0.860	100	0.757
Euro	(€)	40.34	7.438	6.560	1.956	0.788	1936	2.204	8.555	200.5	166.4	8.864	1.012	0.691	1.716	1.136	132.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.5848	0.5824	-0.0028	0.5857	0.5813	8,388	61,801
Jun	0.5853	0.5854	-0.0028	0.5855	0.5846	38	1,598
Sep	0.5892	0.5885	-0.0028	0.5892	0.5880	15	153

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.7114	0.7103	-0.0019	0.7128	0.7069	23,484	58,857
Jun	0.7160	0.7166	-0.0019	0.7160	0.7140	53	465
Sep	-	0.7226	-0.0019	-	0.7205	20	340

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	0.8639	0.8637	-0.0002	0.8688	0.8628	25,988	69,414
Jun	0.8771	0.8737	-0.0002	0.8777	0.8705	1,186	4,946
Sep	-	0.8836	-0.0002	-	-	50	1,436

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Mar	1.6474	1.6450	-0.0032	1.6490	1.6400	7,560	53,982
Jun	1.6416	1.6430	-0.0024	1.6420	1.6400	2	1,323
Sep	-	1.6422	-0.0022	-	1.6410	-	230

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.640	1.17	1.78	2.38	0.72	1.45	2.10
1.650	0.70	1.37	1.93	1.18	1.90	2.53
1.660	0.41	0.97	1.54	1.82	2.51	3.11

Previous day's vol., Calls 0 Puts 0 Prev. day's open int., Calls 462 Puts 1,463

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
0.580	0.13	0.36	0.63	0.94	1.09	1.30
0.585	0.08	0.24	0.46	-	1.50	-
0.600	0.05	0.18	0.38	-	1.88	-

Previous day's vol., Calls - Puts - Prev. day's open int., Calls 483 Puts 3,580

BENCHMARK GOVERNMENT BONDS

Jan 29	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	107.5071	4.86	-0.06	-0.10	-0.02	-0.67
	08/08	8.750	127.9820	5.02	-0.01	-0.05	-0.02	-1.02
Austria	07/00	5.875	104.0800	2.95	-0.03	-0.04	-0.31	-1.18
	01/08	5.000	108.8600	3.81	-0.01	+0.02	-0.22	-1.37
Belgium	01/00	4.000	101.0100	2.92	-0.02	+0.01	-0.23	-1.12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Jan 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8 - 5¾	6⅛ - 5⅞	5⅞ - 5⅞	5⅞ - 5¾	5¾ - 5½	5½ - 5⅜
Sterling CDs	-	-	6¼ - 6	5⅞ - 5¾	5⅝ - 5⅝	5⅝ - 5½
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅞	5¾ - 5⅞	-	-
Local authority deps.	5¾ - 5¾	6 - 5½	5⅞ - 5¾	5⅞ - 5⅞	5⅝ - 5⅝	5⅝ - 5½
Discount Market deps	6 - 5¾	5⅞ - 5¾	-	-	-	-

UK clearing bank base lending rate 6 per cent from Jan 7, 1999

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc.
Ave. tender rate of discount on Jan 22, 5.2527pc. ECGD fixed rate Stlg. Export Finance. Make up day Jan 29, 1999. Agreed rate for period Feb 24, 1999 to Mar 23, 1999, Scheme III 7.19pc. Reference rate for period Jan 1, 1999 to Jan 29, 1999, Schemes IV & V 5.928pc. Finance House Base Rate 6.5pc for Feb 1999.

BANK OF ENGLAND TREASURY BILL TENDER

	Jan 29	Jan 22		Jan 29	Jan 22
Bills on offer	£100m	£100m	Top accepted rate	5.3346%	5.2543%
Total of applications	£485m	£625m	Ave. rate of discount	5.3188%	5.2527%
Total allocated	£100m	£100m	Average yield	5.3903%	5.3223%
Min. accepted bid	£98.670	£98.690	Offer at next tender	£100m	£100m
Allotment at min. level	70%	97%	Min. accept. bid 28 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Exeter Trust Limited	7.00	●Singer & Friedlander	6.00
Allied Irish Bank (GB)	6.00	Financial & Gen Bank	8.00	Smith & Williamson	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	Sun Bank	6.00
Banco Bilbao Vizcaya	6.00	Habib Bank AG Zurich	6.00	TSB	6.00
Bank of Cyprus	6.00	Heritable & Gen Inv Bk	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	C. Hoare & Co	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	●SG Hambros Bank & Trust	6.00	Whiteaway Laidlaw	6.00
Bank of Scotland	6.00	Hongkong & Shanghai	6.00	Yorkshire Bank	6.00
Barclays Bank	6.00	Investec Bank (UK) Ltd	6.00		
Brit Bk of Mid East	6.00	Julian Hodge Bank	6.00	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.00	●Leopold Joseph & Sons	6.00		
Citibank NA	6.00	Lloyds Bank	6.00		
Clydesdale Bank	6.00	Midland Bank	6.00		
The Co-operative Bank	6.00	NatWestminster	6.00		
Coutts & Co	6.00	●Rea Brothers	6.00		
Cyprus Popular Bank	6.25	Royal Bk of Scotland	6.00		
Duncan Lawrie	6.00	Scottish Widows Bank	6.75		

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

EURO PRICES

EQUITIES

Central bankers face rate cut demands

EUROPEAN OVERVIEW

By Bertrand Benoit

European equity markets looking for direction will have their radars locked on interest rates when central bankers review the region's monetary policy this week.

The council of the European Central Bank, which meets in Frankfurt on Thursday, is not expected to cut its key rate, currently 3 per cent. But most analysts are pricing in a cut of 25 to 50 basis points before the end of the first quarter.

"The economy is slowing down and inflation is right on target, so the conditions are there for rates to fall to 2.75 per cent by the end of March," said Philip Chitty, European economist at ABN Amro.

The German purchasing managers index for the manufacturing industry, due on Monday, will be closely watched for confirmation that the country is on a deflationary slope.

Equal attention will be given to France's consumer confidence survey for January, published on Thursday.

Despite fresh signs that the UK economy is heading for a gentle slow-down rather than an abrupt stop, a majority of economists expect the monetary policy committee of the Bank of England to cut interest rate when it meets on Wednesday. The consensus, according to a Reuters poll published last week, is for a cut of 25 basis points.

The mixed economic outlook left markets unfazed last week, with the FTSE Eurotop 300 index ending the week 34.54 higher at 1,214.89, while the FTSE Eurotop 100 gained 75.42 to 2,786.59. The FTSE Ebloc index of companies in the euro-zone gained 31.73 to 1,023.84.

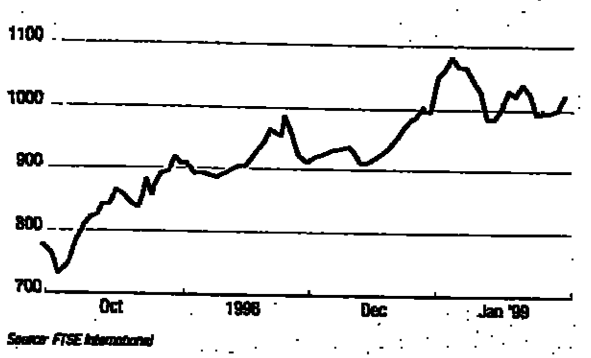
Last week's gains followed a string of M&A announcements and relief that the oft-predicted collapse in corporate earnings had failed to materialise.

But optimism could soon dry up according to Mr Chitty, who said companies would post more disappointing earnings as markets moved further into the results season.

In a recent note, ABN-Amro claimed that even bids and mergers often failed to deliver long-term value.

"Anyone deciding 12 months ago to play the corporate restructuring theme ... would have underperformed the broader market over the past year by 4 per cent," the bank's strategy and economics team wrote.

FTSE Ebloc 100



Source: FTSE International

FTSE Actuaries Share Indices — European series

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Jan 29

National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total rtn (Euro) €
FTSE Eurotop 300	1214.89	+0.59	+7.11	2.25	0.44	1251.42
FTSE Eurotop 100	2786.59	+0.59	+16.37	2.33	1.78	999.53
FTSE Ebloc 100	1023.84	+0.53	+5.42	2.02	0.34	1039.61
FTSE EuroMid	1170.46	+1.04	+12.06	2.89	1.06	1213.91
FTSE EuroMid Ebloc	1201.61	+0.51	+6.06	2.33	1.31	1228.37
FTSE EuroMid Ex UK	1234.82	+0.73	+8.92	2.21	0.90	1258.60
FTSE Eurotop 300 Regions						
Eurobloc	1280.58	+0.55	+7.00	1.97	0.60	1308.60
UK	1121.31	+0.55	+6.10	2.73	0.40	1177.76
Europe Ex-Eurobloc	1159.93	+0.63	+7.28	2.56	0.29	1201.72
Europe Ex-UK	1268.53	+0.61	+7.69	2.02	0.46	1292.75
FTSE Eurotop Industry Sectors						
RESOURCES	793.72	−0.65	−5.15	3.63	0.94	830.95
Mining	764.25	+0.71	+5.38	4.59	0.00	780.38
Oil & Gas	765.07	−0.70	−5.40	3.60	0.94	784.50
BASIC INDUSTRIES	1059.59	+1.41	+14.78	2.74	0.60	1082.77
Chemicals	834.69	+2.16	+17.65	2.69	0.65	850.11
Construction & Bld Matls	898.11	−0.14	−1.26	2.60	0.00	905.87
Forestry & Paper	854.62	−1.60	−13.89	3.62	0.00	893.69
GENERAL INDUSTRIALS	1128.55	+0.91	+10.18	2.46	0.13	1152.69
Aerospace & Defence	854.08	+3.22	+26.63	1.92	0.00	865.87
Diversified Industrials	1016.71	−0.09	−0.87	1.98	0.00	1039.96
Electronic & Elect Equip	993.92	+0.51	+5.09	1.86	0.00	999.34
Engineering & Machinery	986.42	+2.54	+24.40	4.03	0.45	1000.52
CYCLICAL CONS GOODS	1325.95	+1.58	+20.64	2.49	0.00	1362.43
Automobiles	992.70	+2.30	+22.36	2.34	0.00	1001.91
Household Goods & Texts	1236.13	−2.40	−30.44	3.37	0.00	1246.68
NON-CYC CONS GOODS	1240.05	+0.02	+0.22	1.46	0.05	1274.22
Beverages	928.85	+3.18	+28.60	2.91	0.00	948.90
Food Producers & Procesrs	920.72	−0.41	−3.82	1.68	0.00	931.55
Health	894.07	+0.67	+5.89	8.84	0.00	897.30
Packaging	756.47	+0.99	+7.39	1.18	0.00	757.41
Personal Care & Hse Prods	1140.10	+0.06	+0.69	0.85	0.00	1149.83
Pharmaceuticals	1138.63	−0.33	−3.73	1.13	0.00	1144.82
Tobacco	1469.65	+1.73	+24.99	2.70	1.42	1499.06
CYCLICAL SERVICES	1285.00	+0.34	+4.41	2.39	0.67	1323.33
Distributors	685.69	−3.97	−28.32	4.30	0.00	693.39
General Retailers	1059.30	+0.27	+2.85	2.89	1.06	1082.25
Leisure Entertmt & Hotels	805.93	+0.53	+4.25	2.53	6.02	822.70
Media & Photography	1190.33	+0.36	+4.26	1.95	0.00	1203.04
Rests, Pubs & Breweries	842.40	+0.83	+6.94	3.32	2.64	869.80
Support Services	1088.82	−0.60	−6.53	1.36	0.00	1100.37
Transport	965.68	+2.12	+20.03	2.60	0.00	983.49
NON-CYCLICAL SERVS	1351.81	+1.08	+14.42	1.48	0.32	1391.72
Food & Drug Retailers	1047.06	+0.63	+6.56	1.98	0.00	1063.05
Telecommunications Servs	1336.85	+1.18	+15.56	1.39	0.39	1357.17
UTILITIES	1510.28	+0.43	+6.54	2.94	3.35	1605.33
Electricity	1180.83	+0.33	+3.85	3.04	3.42	1201.61
Gas Distribution	1235.08	+0.48	+5.90	1.54	1.00	1380.98
Water	937.13	+1.09	+10.13	5.39	0.00	981.44
FINANCIALS	1278.73	+0.74	+9.37	2.58	0.13	1313.77
Banks	865.28	+0.98	+8.42	3.40	0.16	877.65
Insurance	1029.70	+0.78	+7.95	1.35	0.00	1042.13
Life Assurance	1206.62	−0.35	−4.25	1.63	0.00	1222.29
Investment Companies	991.31	+1.54	+15.00	1.80	0.00	1015.09
Real Estate	622.61	+1.12	+6.88	3.91	0.00	638.79
Speciality & Other Fin	868.08	−1.07	−9.39	2.60	0.00	882.57
INFORMATION TECH	951.03	+0.84	+7.88	1.09	0.00	953.30
Information Tech Hardware	1002.27	−0.10	−1.01	1.33	0.00	1004.65
Software & Computer Serv	834.70	+3.49	+28.11	0.45	0.00	836.68

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■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.020	97.030	+0.010	97.030	97.015	16001	82416
Jun	97.165	97.170	+0.005	97.175	97.150	15857	86104
Sep	97.205	97.210	+0.005	97.210	97.190	7750	48231
Dec	96.970	96.970	+0.005	96.970	96.950	7405	60758

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.020	97.030	+0.010	97.030	97.015	4191	166416
Jun	97.165	97.170	+0.005	97.170	97.155	2607	137205
Sep	97.205	97.210	+0.005	97.210	97.195	714	127798
Dec	96.960	96.965	+0	96.970	96.950	2201	101620

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	Calls Mar	Calls Jun	Calls Sep	Calls Dec	Puts Mar	Puts Jun	Puts Sep	Puts Dec
97125	0.010	0.030			0.105	0.125		
97250	0.005	0.010	0.060	0.090	0.225	0.230	0.140	0.170
97375	0	0.005			0.345	0.350		
97500	0	0	0.015	0.030	0.470	0.470	0.345	0.360

Est. vol. total, Calls 5558 Puts 3737. Previous day's open int., Calls 336077 Puts 181971

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2811.0	2789.0	+2.0	2811.0	2772.0	152	5931
Jun		2792.0	+2.0			0	0

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

	2600 C	2600 P	2650 C	2650 P	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P
Feb	228	41	188	52	154	66	122	85	93	106	70	133	50	164	35	198
Mar	281	89	246	104	212	121	181	140	154	162	128	187	105	215	85	245

Est. vol. total 0. Prev day's open interest total 5,289. Premiums shown are based on settlement prices.

OTHER INDICES

	Jan 29	Jan 28	Jan 27	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3446.25	3416.27	3370.01	3670.82	2433.07	3670.82	2433.07
DJ Euro Stx 50	3547.15	3511.31	3453.70	3885.36	2419.23	3885.36	2419.23
MSCI Europe	1200.80*	1197.34	1184.32	1315.55	906.59	1315.55	510.78

Source: Extel/part of FT Information. *Subject to revision next day. (u) unavailable.

FTSE EUROTOP 300

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CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Jan 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	36.8394	+0.2578	097 - 690	36.8700	36.4450	36.9924	−5.0	37.3017	−5.0	38.7840	−5.3
Denmark	(DKr)	7.4379	+0.0002	351 - 406	7.4460	7.4350	7.4406	−0.5	7.4476	−0.5	7.4758	−0.5
Greece	(Dr)	321.082	−0.2880	841 - 323	321.900	320.508	322.9449	−7.0	327.0263	−7.4	341.8103	−8.5
Hungary	(Forint)	249.094	−0.1150	925 - 262	249.830	248.700	251.8226	−13.1	256.9500	−12.6	278.7758	−11.9
Norway	(NKr)	8.5551	−0.0027	483 - 618	8.6000	8.5388	8.5863	−4.4	8.6405	−4.0	8.8079	−3.0
Poland	(Zloty)	4.1733	+0.0200	692 - 773	4.1795	4.1385	-	-	-	-	-	-
Romania	(Leu)	13257.01	+49.2300	012 - 390	-	-	-	-	-	-	-	-
Russia	(Rouble)	26.3130	+0.1886	504 - 756	26.4143	26.0375	-	-	-	-	-	-
Slovakia	(Koruna)	42.9043	+0.1798	614 - 472	43.0700	42.4445	-	-	-	-	-	-
Sweden	(SKr)	8.8639	+0.0081	582 - 715	8.9100	8.8440	*8.8653	−0.2	8.8686	−0.2	8.8935	−0.3
Switzerland	(SFr)	1.6118	+0.0004	110 - 126	1.6144	1.6076	1.6094	1.8	1.6046	1.8	1.5884	1.5
UK	(£)	0.6913	−0.0017	909 - 917	0.6959	0.6895	0.6928	−2.6	0.6958	−2.6	0.7080	−2.4
Americas												
Argentina	(Peso)	1.1352	−0.0065	349 - 354	1.1426	1.1336	-	-	-	-	-	-
Brazil	(R$)	2.3395	+0.1358	278 - 513	2.4003	2.2113	-	-	-	-	-	-
Canada	(C$)	1.7157	−0.0398	147 - 166	1.7316	1.7145	1.7182	−1.7	1.7236	−1.9	1.7489	−1.9
Mexico	(New Peso)	11.5362	−0.0797	243 - 521	11.6129	11.5101	11.8329	−30.6	12.4276	−30.8	14.7908	−28.2
USA	($)	1.1357	−0.0061	354 - 359	1.1430	1.1340	1.1372	−1.6	1.1409	−1.8	1.1591	−2.1
Pacific/Middle East/Africa												
Australia	(A$)	1.8077	−0.0148	065 - 088	1.8248	1.8040	1.8099	−1.5	1.8151	−1.6	1.8406	−1.8
Hong Kong	(HK$)	8.7999	−0.0480	976 - 021	8.8449	8.7853	8.8212	−2.9	8.8771	−3.5	9.2141	−4.7
India	(Rs)	48.2708	−0.2614	545 - 871	48.5798	48.1950	48.5370	−6.6	49.2894	−8.4	52.8874	−9.5
Indonesia	(Rupiah)	10164.08	−283.4100	506 - 310	10490.00	10050.40	10468.22	−35.9	11238.24	−42.3	13794.00	−35.7
Israel	(Shk)	4.6639	−0.0280	572 - 705	4.6982	4.6545	-	-	-	-	-	-
Japan	(Y)	132.053	−0.8530	979 - 128	132.900	131.600	131.7765	2.5	131.1248	2.8	128.6657	2.6
Malaysia	(M$)	4.3155	−0.0238	852 - 879	4.3433	4.3093	-	-	-	-	-	-
New Zealand	(NZ$)	2.1095	−0.0275	081 - 109	2.1347	2.1074	2.1103	−0.5	2.1146	−1.0	2.1486	−1.9
Philippines	(Peso)	43.7226	−0.4081	426 - 025	44.1770	43.4899	44.1126	−10.7	44.8227	−11.0	48.3576	−10.6
Saudi Arabia	(SR)	4.2593	−0.0232	578 - 608	4.2868	4.2519	4.2705	−3.2	4.2986	−3.7	4.4251	−3.9
Singapore	(S$)	1.9219	−0.0083	209 - 229	1.9308	1.9191	1.9195	1.5	1.9177	0.9	1.9193	0.1
South Africa	(R)	6.8767	−0.0144	697 - 836	6.9055	6.8479	6.9492	−12.5	7.0969	−12.8	7.7405	−12.6
South Korea	(Won)	1334.39	−7.8800	296 - 582	1348.74	1328.74	-	-	-	-	-	-
Taiwan	(T$)	36.6986	−0.2158	621 - 350	36.9500	36.6350	36.8406	−4.6	37.0519	−3.9	38.0086	−3.6
Thailand	(Bt)	41.9823	−0.2273	963 - 283	42.1667	41.8596	42.1401	−5.1	42.5341	−5.5	44.4535	−5.9
UAE	(Dirham)	4.1711	−0.0228	700 - 722	4.3350	4.16540	4.1775	−1.8	4.1931	−2.1	4.2681	−2.3

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

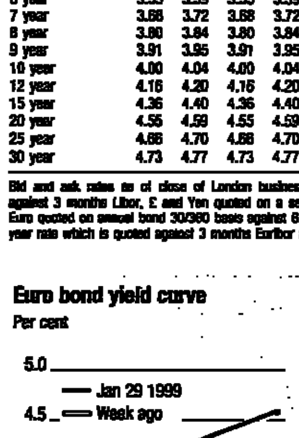
BONDS

INTEREST RATE SWAPS

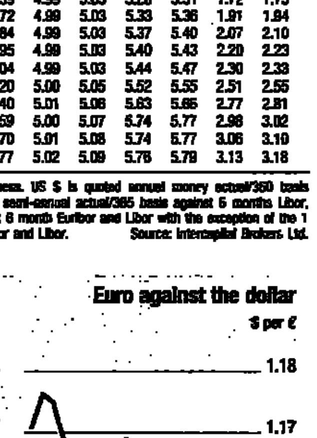
Jan 29	Euro-E Bid	Euro-E Ask	Euro-L Bid	Euro-L Ask	£ Stlg Bid	£ Stlg Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	2.99	3.02	2.99	3.02	5.52	5.55	5.06	5.09	0.51	0.54
2 year	3.00	3.04	3.00	3.04	5.21	5.24	5.11	5.14	0.71	0.74
3 year	3.11	3.15	3.11	3.15	5.12	5.16	5.16	5.19	0.99	1.02
4 year	3.26	3.30	3.26	3.30	5.05	5.09	5.20	5.23	1.26	1.29
5 year	3.41	3.45	3.41	3.45	5.02	5.06	5.24	5.27	1.51	1.54
6 year	3.55	3.59	3.55	3.59	4.99	5.03	5.28	5.31	1.72	1.75
7 year	3.68	3.72	3.68	3.72	4.99	5.03	5.33	5.36	1.91	1.94
8 year	3.80	3.84	3.80	3.84	4.99	5.03	5.37	5.40	2.07	2.10
9 year	3.91	3.95	3.91	3.95	4.99	5.03	5.40	5.43	2.20	2.23
10 year	4.00	4.04	4.00	4.04	4.99	5.03	5.44	5.47	2.30	2.33
12 year	4.16	4.20	4.16	4.20	5.00	5.05	5.52	5.55	2.51	2.55
15 year	4.36	4.40	4.36	4.40	5.01	5.06	5.63	5.66	2.77	2.81
20 year	4.55	4.59	4.55	4.59	5.00	5.07	5.74	5.77	2.98	3.02
25 year	4.66	4.70	4.66	4.70	5.01	5.08	5.74	5.77	3.06	3.10
30 year	4.73	4.77	4.73	4.77	5.02	5.09	5.76	5.79	3.13	3.18

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor. Euro quoted on annual bond 30/360 basis against 6 month Euribor and Libor with the exception of the 1 year rate which is quoted against 3 months Euribor and Libor. Source: Intercapital Brokers Ltd.

Euro bond yield curve



Euro against the dollar



Sources: Interactive Data; FT Information

EURO-ZONE BONDS

Jan 29	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ **SOVEREIGNS**								
UK	01/01	4.250	AAA	102.417	2.98	+0.00	−0.42	+0.14
Denmark	01/02	4.750	AA+	104.620	3.07	+0.00	−0.33	+0.16
Sweden	02/01	5.000	AA+	103.847	3.00	+0.00	−0.35	+0.16
Greece	11/06	6.750	BBB	116.560	4.21	+0.00	−0.36	+0.81
■ **SUPRANATIONALS**								
ADB	10/07	5.500	AAA	110.107	4.10	−0.01	−0.17	+0.62
EIB	04/08	5.000	AAA	108.953	3.83	−0.01	−0.15	+0.27
Eurofima	12/09	5.625	AAA	111.969	4.23	−0.01	−0.21	+0.59
World Bank	04/05	7.125	AAA	119.120	3.82	+0.01	−0.17	+0.32
■ **UTILITIES**								
EDF	10/03	3.750	n/a	101.875	3.31	+0.01	−0.26	+0.27
TEPCO	02/03	4.750	AA	104.202	3.62	+0.01	−0.24	+0.58
Quebec Hydro	03/08	5.375	A+	107.414	4.37	−0.01	−0.25	+0.81
Norsk Hydro	10/09	7.250	A	102.426	3.47	−0.01	−0.16	+0.57
■ **FINANCIALS**								
Bad Wurtt	02/10	5.375	AAA	110.447	4.17	+0.01	−0.20	+0.46
OKB	09/07	5.750	AAA	113.277	3.90	+0.00	−0.25	+0.42
Credit Local	04/08	5.250	AA+	108.456	4.13	−0.01	−0.16	+0.57
Abbey Natl	01/09	5.000	AA−	104.295	4.45	−0.01	−0.28	+0.81
■ **INDUSTRIALS**								
Unilever	10/01	5.125	AAA	104.899	3.28	+0.02	−0.21	+0.42
McDonalds	03/08	5.125	AA	110.569	3.74	−0.01	−0.28	+0.18
Philip Morris	06/08	5.625	A	107.373	4.63	−0.01	−0.30	+1.07
BAT Int Fin	07/06	5.375	A−	103.667	4.78	+0.00	−0.39	+1.38
■ **PFANDBRIEFE**								
Rhein Hypo	12/01	5.500	n/a	106.260	3.15	+0.00	−0.31	+0.31
Eurohypo AG	01/04	5.000	n/a	107.225	3.39	+0.01	−0.32	+0.21
Bayer Vereins	01/06	6.000	n/a	114.439	3.62	+0.01	−0.38	+0.22
Depfa	07/08	4.750	n/a	106.523	3.91	+0.01	−0.30	+0.35
■ **HIGH YIELD**								
Geberit	04/07	10.125	B+	109.713	8.03	+0.05	−0.37	+4.55
Colt Telecom	11/07	8.875	n/a	102.750	8.42	+0.00	−0.26	+4.94
Impress Metal	05/07	9.875	B	109.872	7.77	+0.04	+0.02	+4.29
Remy Cointreau	07/05	10.000	B+	93.000	11.56	−0.12	−0.67	+8.26

Standard & Poor's ratings. Source: Interactive Data/FT Information.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Mkt cap£m	Last xd	City line
Allied Domecq		469xd	0.9	025.38	1.5	4,985	2.11	2323
Bulmer (HP)		289½xd	-4.5	15.0	1.5	151.3	11.1	2005
Burn Stewart		14½	—	-	-	8.80	10'97	1518
Diageo		672	1.9	019.8	1.5	24,877	5.10	2791
Glenmorangie A	†	682½	-1.8	14.45	2.5	90.1	21.12	3257
B	†	827½	1.2	7.22	2.5	33.1	21.12	3258
Highland		282½	-6	9.35	2.3	337.3	7.12	2880
5¼pc Cv Sb Bd		87½	1.2	05¼%	-	47.8	11.1	2823
Kirin Y		737½xd	1.8	024%	1.7	7,897	25.12	1119
Matthew Clark	‡	242	—	13.0	2.3	214.2	3.8	2163
Merrydown		28½	—	-	-	7.55	7'97	3352
Seagram C$		£28¾	10.5	066c	-	10,018	28.8	-

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Continued

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Continued

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

	Notes	Price	Wk % change	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Approved by the Inland Revenue								
Aberdeen Ling Asia	♣	22¼	4.7	-	-			
Warrants		0¾	-35.7	-	-	0.22	-	1441
Atlantis Japan Gwth Fd		252½	1.3	-	-	0.01	-	1442
Warrants		5¾	0.7	-	-	50.5	-	2362
Baring Emrg Euro	♣	84	3.7	-	-	0.23	-	2368
Warrants		48¼	2.0	-	-	116.6	10.94	3860
Brazilian IT	♣	38	0.7	01.1	Jul Dec	12.2	-	3861
Warrants		8¼	0.7	-	-	21.8	30.11	2508
Central Euro Gwth	♣	43¼	3.0	-	-	1.18	-	3898
Warrants		0¼	...	-	-	91.8	3.96	4181
East German		11¾	...	-	-	0.20	-	4187
Egypt Trust $		889¾	7.1	026c	Feb	6.32	3.93	2408
F&C Latin American $	♣	64¼	6.8	-	-	88.9	1.98	-
Warrants		31¼	4.8	-	-	57.8	-	3465
3rd Russian Frontiers $	♣	195		-	-	4.78	-	3475
Warrants		52½	5.0	-	-	17.4	-	4798
Warrants B		48		-	-	0.63	-	4799
Fleming Applied Gwth		85¼	6.4	-	-	0.35	-	1188
Warrants		1	0.7	-	-	-	-	1213
Gartmore Asian Smlr	♣	63	-1.8	0.54	May	0.02	-	4635
Henderson Smlr Asian Cos	♣	78xd	-3.1	0.3c	Apr	23.6	6.4	2628
Warrants		2¾		-	-	13.0	9.11	4682
Indosuez Fund		129¼	0.7	-	-	0.35	-	4585
Warrants		8	0.7	-	-	12.9	-	2328
Israel Fund $		48	-1.7	-	-	0.16	-	2834
Korea-Europe $	♣	1841½	0.7	02c	Oct	98.2	3.95	4167
Korea Liberal $		1125	-4.5	-	-	85.4	9.97	6840
Warrants		15¼	0.7	-	-	13.7	7.92	-
Locked Hells Indo	♣	32¼	-1.3	-	-	0.18	-	-
Warrants		5¼	0.7	-	-	16.8	-	4067
Schroder Korea Fd $	♣	342	-1.6	-	-	0.57	-	4068
						22.6	-	2287

Net asset values supplied by BT Alex Brown International as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

INV TRUSTS SPLIT CAPITAL

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Continued

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but less demanding rules than the SE Official list.

AIM - Continued

	Notes	Price	Wk % change	Div net	Div cov	Mkt cap£m	Last xd	City line
VI		17½	-10.3	-	-	3.50	-	1718
Victory Corpn	♣	7½	-16.7	-	-	23.7	-	1486
VRM	♣	35½	...	-	-	10.2	9.91	4487
Weather Action		52½	...	-	-	3.52	-	2344
Weeks Group	♣	2¼xd	2.0	0.11	2.0	3.21	25.1	1268
West 175 Ents	♣	45	-10.0	-	-	2.48	-	1616
West Bromwich Albion		£115	...	-	-	8.39	-	1651
Western Select	♣	8½	...	0.25	1.3	3.70	9.11	4481
Westmount Energy	♣	18½	5.7	-	-	2.07	-	5413
Willington		75	-3.2	0.9	2.7	6.38	-	1731
Winchester		64	-1.9	-	-	8.26	-	5193
World Telecom	♣	71	-3.4	-	-	17.8	-	1212
Xenos Computer		14¼	...	-	-	14.1	-	1684
Yeoman		58½	...	-	-	4.45	-	2301

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise indicated. For FTSE index constituents and reserves, last trade prices at or prior to market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS").

Net dividends are shown in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market capitalizations shown are calculated separately for each line of stock quoted.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.7(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- , Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other offical estimates. c Cents. f Dividend adjusted for complex issue. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Dividend includes amount payable after 6/4/99. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other offical estimates for 1998-99. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1999. K Dividend based on prospectus or other official estimates for 1998. L Estimated annualised dividend. Cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). P Dividend adjusted for consolidation or share split. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: , ex dividend; , ex scrip issue; , ex rights; , ex all; , ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Deletions: Car Grp (Dist), Crabtree Grp (Eng), Henderson Greenfriar, Schroder Korea Wrts (InTr), Hardy Oil & Gas (OilEx), Essex Furniture (ReGn).

♣ FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls are charged at 50p per minute at all times. An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial information obtained via FT Cityline before making any investment decision. All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

For Retail Price Index details call 0891 43 0005.

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

صكتا من الاصل

هكذا من الأصل

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Barclays International Funds

Minerals, Oils Res. Shrs. Fd. Inc.

Murray Johnstone (Jersey) Limited

Northgate Unit Tst. Mngr. (Jersey) Ltd

Royal Bank of Scotland Fund Managers (CI) Ltd

Fidelity Funds (u)

Liberty Newport World Portfolio (u)

Lloyds Bank Luxembourg

Schroder International Selection Fd - Contd.

Banque Internationale A Luxembourg - Contd.

Julius Baer Group - Contd.

Scudder Global Opportunities Funds - Contd.

LUXEMBOURG (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

	Selling Price	Buying Price	Yield Gross	City-Line
CMI Ins Co Ltd/Clerical Med Life	[illegible]	[illegible]	[illegible]	[illegible]
Eagle Star Intl Life	[illegible]	[illegible]	[illegible]	[illegible]
Old Mutual International - Contd.	[illegible]	[illegible]	[illegible]	[illegible]
Old Mutual International (Ireland) Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Access Investment Management (HK) Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Acciones y Valores de Mexico SA de CV	[illegible]	[illegible]	[illegible]	[illegible]
Acuna Capital Management Limited	[illegible]	[illegible]	[illegible]	[illegible]
Advanced Asset Management Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Alexandra Global Investment Fund I, Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Daiwa Intl Capital Management (H.K.) Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Darier Hentsch Fund Management SA	[illegible]	[illegible]	[illegible]	[illegible]
Delta Managed Funds Limited	[illegible]	[illegible]	[illegible]	[illegible]
Garantia Fund of Funds Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Genesis Fund Managers Ltd	[illegible]	[illegible]	[illegible]	[illegible]
INVESCO Asset Management	[illegible]	[illegible]	[illegible]	[illegible]
Mont Blanc Management Investments Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Montgomery Emerg Communications Fd Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Scudder, Stevens & Clark Inc	[illegible]	[illegible]	[illegible]	[illegible]

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	Yield Gross	City-Line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● MANAGED FUNDS NOTES

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Jan 29 / 1 € = 13.7603 Sch)

[illegible]

BELGIUM/LUX (Jan 29 / 1 € = 40.3399 Frs)

[illegible]

FINLAND (Jan 29 / 1 € = 5.94573 Mkk)

[illegible]

FRANCE (Jan 29 / 1 € = 6.55957 Frs)

[illegible]

GERMANY (Jan 29 / 1 € = 1.95583 Dm)

[illegible]

IRELAND (Jan 29 / 1 € = 0.78756 Punt)

[illegible]

ITALY (Jan 29 / 1 € = 1936.27000 Lire)

[illegible]

NETHERLANDS (Jan 29 / 1 € = 2.20371 Fl)

[illegible]

PORTUGAL (Jan 29 / 1 € = 200.482 Esc)

[illegible]

SPAIN (Jan 29 / 1 € = 166.386 Pts)

[illegible]

EUROPE (NON-EMU)

CZECH REP (Jan 29 / Koruna)

[illegible]

DENMARK (Jan 29 / Kr)

[illegible]

GREECE (Jan 29 / Drachma)

[illegible]

NORWAY (Jan 29 / Kroner)

[illegible]

POLAND (Jan 29 / Zloty)

[illegible]

SWEDEN (Jan 29 / Kronor)

[illegible]

SWITZERLAND (Jan 29 / Frs.)

[illegible]

TURKEY (Jan 29 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Jan 29 / Yen)

[illegible]

AUSTRALIA (Jan 29 / Aust$)

[illegible]

HONG KONG (Jan 29 / H.K.$)

[illegible]

INDONESIA (Jan 29 / Rupiah)

[illegible]

MALAYSIA (Jan 29 / MYR)

[illegible]

NEW ZEALAND (Jan 29 / NZ $)

[illegible]

SINGAPORE (Jan 29 / S$)

[illegible]

SOUTH KOREA (Jan 29 / Won)

[illegible]

TAIWAN (Jan 29 / TW $)

[illegible]

THAILAND (Jan 29 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Jan 29 / Rand)

[illegible]

AMERICAS

CANADA

TORONTO (Jan 29 / Can $) 4 pm close

[illegible]

MONTREAL (Jan 29 / Can $) 4 pm close

[illegible]

MEXICO (Jan 29 / Peso) 12.30 pm

[illegible]

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 29 1999 US Dollar Index	% chg since 31/12/98	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg from 31/12/98	Gross Div. Yield	THURSDAY JANUARY 28 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	208.17	4.5	187.86	153.01	211.09	220.38	2.0	3.33	206.77	186.04	151.90	208.52	219.51	219.96	163.88	208.84
Austria (21)	172.47	-8.4	155.64	126.77	154.32	154.32	-3.2	2.26	171.52	154.33	126.01	152.63	152.83	253.73	165.27	194.17
Belgium (22)	402.52	-3.9	363.25	295.86	352.62	352.62	-0.7	1.91	404.06	363.56	296.85	352.04	352.04	448.95	265.09	265.09
Brazil (33)	93.45	-29.7	84.33	68.69	94.76	354.34	19.9	2.55	96.02	86.39	70.54	96.83	341.10	289.34	89.32	223.34
Canada (116)	212.87	6.8	192.11	156.46	215.86	232.86	5.0	1.70	208.51	187.61	153.19	210.28	230.42	248.78	158.94	208.00
Denmark (34)	483.81	-3.2	436.61	355.61	490.59	430.96	-0.4	1.63	487.11	438.29	357.87	491.25	431.56	537.93	420.12	458.56
Finland (29)	633.80	10.2	571.97	465.86	696.43	696.43	13.9	1.44	640.67	576.46	470.68	700.14	700.14	661.25	300.59	300.59
France (75)	337.30	3.1	304.40	247.92	305.63	305.63	6.6	2.06	336.38	302.67	247.13	303.13	303.13	354.45	243.71	243.71
Germany (55)	277.31	-1.3	250.26	203.83	248.30	248.30	2.1	1.31	275.66	248.03	202.52	245.48	245.48	325.61	228.35	235.32
Greece (36)	399.92	15.0	360.91	293.95	405.53	818.54	16.1	1.05	392.75	353.39	288.55	396.09	792.38	399.92	211.47	–
Hong Kong, China (67)	283.27	-7.8	255.64	208.21	287.24	281.81	-7.8	4.34	280.35	252.25	205.96	282.73	278.91	362.55	196.64	298.87
Indonesia (26)	46.93	-6.4	42.35	34.49	47.59	257.87	5.4	1.19	44.89	40.39	32.98	45.27	251.98	64.52	19.04	44.11
Ireland (16)	553.88	0.5	499.85	407.11	541.28	541.28	3.9	1.82	560.38	504.21	411.69	544.63	544.63	605.85	396.15	416.72
Italy (53)	170.23	-4.8	153.63	125.13	218.78	218.78	-1.6	1.29	170.22	153.16	125.05	215.57	215.57	192.64	127.90	127.90
Japan (445)	101.02	0.5	91.16	74.25	102.43	74.25	3.6	1.01	99.58	89.60	73.16	100.43	73.16	109.73	76.93	107.09
Mexico (29)	1131.68	-0.9	1021.28	831.80	1147.55	12571.13	1.8	2.04	1128.67	1015.55	829.20	1138.26	12556.21	1733.73	787.15	1500.60
Netherlands (26)	494.05	-8.7	445.65	363.14	437.58	437.58	-3.5	2.16	504.02	453.51	370.29	443.98	443.98	582.73	394.92	413.52
New Zealand (16)	64.44	9.2	58.15	47.37	65.35	63.56	7.2	4.59	63.38	57.02	46.56	63.91	62.99	77.84	45.68	74.96
Norway (37)	243.13	10.8	219.42	178.71	246.54	240.60	9.5	2.31	238.67	214.75	175.34	240.69	242.80	357.71	181.88	295.87
Philippines (22)	85.29	-5.8	76.97	62.69	86.49	163.65	-6.6	0.99	87.79	78.99	64.49	88.53	169.09	106.98	42.48	70.72
Portugal (18)	262.03	1.9	236.47	192.60	318.63	316.63	5.4	1.04	263.74	237.30	193.78	316.96	316.96	299.39	194.13	–
Singapore (41)	209.59	-3.1	189.14	154.05	212.53	163.45	-0.6	1.74	208.95	188.01	153.51	210.72	162.78	246.74	102.45	178.26
South Africa (30)	191.85	4.1	173.13	141.01	194.54	253.91	7.1	3.65	190.79	171.67	140.17	192.41	251.68	346.20	151.55	276.09
Spain (30)	389.65	-2.6	351.64	286.40	432.51	432.51	0.7	1.87	389.85	350.78	286.42	430.38	430.38	435.19	230.81	282.73
Sweden (44)	536.27	8.8	483.95	394.17	543.79	619.64	2.9	1.65	536.58	482.81	394.22	541.15	616.10	628.19	379.18	477.33
Switzerland (30)	405.14	-2.3	365.62	297.79	410.82	358.49	0.9	1.20	403.68	363.22	296.57	407.11	353.20	441.65	307.73	351.42
Thailand (34)	23.65	-0.3	21.34	17.38	23.98	33.92	1.4	2.79	24.28	21.85	17.84	24.49	34.82	33.84	8.15	22.52
United Kingdom (206)	375.84	-0.6	339.18	276.25	381.12	339.18	0.6	2.96	375.17	337.57	275.63	378.36	337.57	401.84	307.96	346.17
USA (615)	527.72	4.1	476.24	387.88	535.12	527.72	4.1	1.24	522.00	469.68	383.50	526.43	522.00	527.72	390.12	401.75
Americas (792)	467.90	4.0	422.25	343.91	474.48	397.45	4.2	1.26	462.75	416.37	339.97	466.68	393.13	467.90	347.59	363.62
Europe (737)	357.94	-0.8	322.94	263.02	362.88	330.79	1.5	2.05	357.80	321.94	262.86	360.84	329.20	386.24	282.63	289.45
Euroblock (345)	104.40	-1.5	94.21	76.73	101.17	101.17	-4.5	1.71	104.59	94.10	76.84	100.80	100.80	113.92	81.53	–
Nordic (144)	517.30	8.2	466.97	380.29	524.64	518.77	5.5	1.73	519.02	467.00	381.31	523.43	517.36	555.97	360.04	419.73
Pacific Basin (729)	108.23	0.1	97.67	79.55	109.75	82.47	2.4	1.52	106.83	96.13	78.49	107.74	81.40	119.48	82.88	113.82
Euro-Pacific (1461)	211.98	-0.6	191.30	155.81	214.95	175.73	1.9	1.90	211.16	190.00	155.14	212.96	174.48	221.79	168.00	191.26
North America (731)	506.43	4.2	457.03	372.24	513.54	507.39	4.2	1.25	500.77	450.58	367.90	503.03	501.90	506.43	374.92	389.36
Europe Ex. UK (526)	336.33	-1.0	303.52	247.21	341.04	316.44	1.9	1.64	336.55	302.82	247.25	339.41	314.91	366.32	260.93	257.84
Europe Ex. Euroblock (387)	96.80	-0.2	87.36	71.15	98.16	96.77	1.1	2.41	96.59	86.91	70.96	97.41	98.19	103.93	77.40	–
Europe Ex. UK Ex. Euroblock (181)	99.03	0.8	89.37	72.79	100.42	96.13	2.2	1.41	98.73	88.84	72.53	99.57	95.29	109.21	75.16	–
Pacific Ex. Japan (284)	179.45	-1.3	161.94	131.90	181.98	183.82	-2.0	3.57	178.04	160.20	130.80	179.56	182.73	218.04	128.26	182.96
World Ex. Euroblock (1946)	107.53	2.7	109.06	93.99	109.04	106.29	3.4	1.52	105.49	107.68	93.02	107.40	105.19	108.05	83.09	–
World Ex. US (1676)	211.26	-0.4	190.65	155.28	214.22	180.88	2.0	1.91	210.32	189.25	154.52	212.11	179.54	221.91	165.95	194.15
World Ex. UK (2085)	307.15	2.3	277.19	225.76	311.48	275.23	3.4	1.45	304.52	274.00	223.72	307.11	272.54	311.48	236.11	252.82
World Ex. Japan (1846)	418.61	2.1	377.78	307.69	424.48	409.94	3.1	1.61	415.80	373.95	305.33	419.13	408.38	427.99	320.58	338.07
The World Index (2291)	313.12	2.8	282.58	230.15	317.51	281.27	3.1	1.55	310.65	279.52	228.23	313.29	278.66	318.51	242.36	260.82

 CONSTITUENT CHANGE DURING THE WEEK ENDING 29/1/99: Deletion: Morley (9). CONSTITUENT CHANGE WITH EFFECT 1/2/99: Deletion: Telus Corp. (Canada).

Emerging markets: IFC investable indices

Dollar terms

Jan 28 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	722.43	-0.2	-8.4
Brazil	198.73	+1.2	-27.8
Chile	440.49	-0.2	-2.4
Colombia[1]	355.72	-4.6	-19.0
Mexico	475.20	+4.2	-1.3
Peru[2]	129.25	+0.7	-3.8
Venezuela[3]	381.36	-0.5	-15.9
East Asia			
China[4]	22.63	-3.2	-13.6
India[7]	69.11	-1.8	+7.6
Indonesia[6]	21.37	-1.3	-11.7
Korea[5]	53.36	+0.8	+0.7
Malaysia	93.75	-1.7	+5.9
Pakistan[8]	86.77	-0.9	-8.2
Philippines	121.38	+1.4	-1.4
Sri Lanka[10]	73.11	-2.6	-11.2
Taiwan, China[9]	113.01	-1.1	-2.4
Thailand	64.11	-2.4	+1.5
Europe			
Czech Rep	48.57	-1.7	-4.3
Greece	699.41	+1.2	+12.9
Hungary[11]	292.25	+0.3	+4.1
Poland[12]	549.33	-2.0	+4.9
Portugal	300.14	-0.9	+2.8
Russia	22.08	-1.3	-5.8
Slovakia	44.37	+1.0	+1.6
Turkey[14]	136.48	-1.8	-6.7
Mideast/Africa			
Egypt	78.41	+2.6	+21.6
Israel	101.68	-0.8	-0.5
Jordan	224.75		+3.8
Morocco	176.35	-0.1	+5.2
S Africa[13]	131.12	+0.8	+4.7
Zimbabwe[15]	103.49	+0.3	-1.8
Regions			
Composite	181.86	+0.4	-2.7
Latin America	370.38	+1.6	-11.8
Asia	105.02	-0.8	-1.9
EMEA	119.62	+0.1	+4.7
Europe	158.74	-0.2	+4.7
Eastn Europe	59.05	-0.9	+1.8
ME & Africa	56.14	+0.6	+4.7
Comp + Malay	185.46	+0.2	-2.1
Asia + Malay	107.78	-0.8	-0.3

Base date: Dec 1988=100 except those noted which are: (1)Feb 7 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 8 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

4 pm close January 29

NEW YORK STOCK EXCHANGE PRICES

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

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هكذا من الأصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jan 29	Jan 28	Jan 27	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9358.83	9281.33	9200.23	9643.32 (8/1/99)	7539.07 (31/8/98)	9643.32 (8/1/99)	41.22 (8/7/32)
Home Bonds	106.45	106.68	106.45	107.17 (9/12/98)	104.42 (11/5/98)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3102.37	3078.33	3089.10	3686.02 (16/4/98)	2345.00 (8/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	302.80	303.19	303.82	320.51 (8/10/98)	262.66 (9/1/98)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high (n) [illegible] Low (n) (9134.57) (Theoretical¶)
Day's high 9383.28 (9381.15) Low 9224.17 (9263.57) (Actual¶)

Standard and Poors	Jan 29	Jan 28	Jan 27	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite†	1279.64	1265.37	1243.19	1279.64 (29/1/99)	927.69 (9/1/98)	1279.64 (29/1/99)	4.40 (1/6/32)
Industrials¶	1551.65	1536.79	1509.37	1551.65 (29/1/99)	1077.40 (9/1/98)	1551.65 (29/1/99)	3.52 (30/6/32)
Financial¶	132.73	129.97	127.32	147.89 (14/7/98)	95.80 (8/10/98)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp	600.44	595.40	588.08	611.06 (8/1/99)	477.20 (8/10/98)	611.06 (8/1/99)	4.64 (25/4/42)
Amex Comp	714.86	713.93	707.19	753.67 (22/4/98)	563.75 (8/10/98)	753.67 (22/4/98)	524.20 (16/7/98)
NASDAQ Comp	2505.89	2477.34	2407.14	2505.89 (29/1/99)	1419.12 (8/10/98)	2505.89 (29/1/99)	54.87 (3/10/74)
Russell 2000	427.22	423.97	421.12	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.36 (7/12/83)

RATIOS

	Jan 22	Jan 15	Jan 8	Year ago
Dow Jones Ind. Div. Yield	1.67	1.64	1.58	1.79
	Jan 20	Jan 13	Jan 6	Year ago
S & P Ind. Div. yield	1.12	1.14	1.11	1.47
S & P Ind. P/E ratio	38.80	37.95	39.11	26.31

US DATA

[illegible]

Dow Jones

[illegible]

FTSE Eurotop 300

[illegible]

JAPAN

[illegible]

GERMANY

[illegible]

FRANCE

[illegible]

UK

[illegible]

INDEX FUTURES

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
S&P 500							
Mar	1266.30	1281.50	+15.80	1287.70	1259.50	92,349	392,704
Jun	1287.00	1293.50	+16.10	1297.50	1276.00	273	7,437
Nikkei 225							
Mar	14450.0	14830.0	+380.0	14840.0	14440.0	25,521	195,862
Jun	14350.0	14430.0	+240.0	14490.0	14350.0	1,063	30,488

Open interest figures for previous day.

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Jan	4262.0	4286.2	+66.2	4316.5	4230.0	83,061	509,000
Feb	4258.0	4280.0	+29.5	4325.0	4191.5	85,567	97,405
DAX							
Mar	5150.0	5197.5	+55.5	5219.5	5131.0	47,142	174,336
Jun	5185.0	5225.0	+37.0	5245.0	5182.5	2,340	45,683

	Open	Sett Price	Change	High	Low	Est. vol	Open int
OMX							
Feb	724.00	726.00	+8.50	733.00	717.00	20,705	161,175
Mar	722.00	719.25	+8.25	728.25	719.25	92	974
EUREX							
Mar	7195.0	7229.0	+54.0	7264.0	7125.0	19,458	122,320
Jun	7155.0	7184.0	+45.0	7189.0	7134.0	173	3,809

WORLD MARKETS AT A GLANCE

[illegible]

THE NASDAQ-AMEX MARKET GROUP

4 pm close January 29

[illegible]

AMEX

4 pm close January 29

[illegible]

EASDAQ

[illegible]

FT GUIDE TO THE WEEK

MONDAY 1

Foreign business

Igor Ivanov, Russia's foreign minister, arrives in Bonn for discussions with Gerhard Schröder, the German chancellor, on Russia's relations with the European Union and developments in Kosovo. The meeting will also prepare the ground for Mr Schröder's trip to Moscow later this month. The German government, which holds the presidencies of the European Union, the Western European Union and the Group of Seven leading industrial nations, is working on the formulation of a common strategy towards Russia. The strategy, which is expected to place greater emphasis on the co-ordination of structural assistance programmes in Russia as opposed to financial aid, is due to be completed in time for approval at the EU summit in Cologne in June.

US spending plans

Bill Clinton, the US president, will unveil his fiscal 2000 budget, detailing his plans for restoring the troubled social security retirement programme as well as new taxing and spending proposals. He has already proposed using the bulk of federal surpluses, estimated at $4,400bn over the next 15 years, to buttress social security. He would also draw on surplus funds to shore up Medicare, the federally funded health insurance programme, and to spend more on defence and domestic programmes.

Goodbye to Morse

Marine safety moves fully into the high-technology age with the adoption of a satellite and radio communications system known as GMDSS. The system is legally required on all passenger vessels and cargo ships over 300 tonnes. At the same time, Morse code is being dropped as the official channel of communication.

Bank account ban

Today is the European Union's deadline for Austria to abolish its *Sparbuch* savings accounts, which require no proof of identity from the saver. The EU believes the accounts are being used for money laundering and tax evasion by foreign savers.

Finnish arrival

Paavo Lipponen, the Finnish prime minister, visits Britain to discuss European Union affairs with prime minister Tony Blair (to February 2).

Order of the boot

The Fifa World Player of the Year awards are due to be presented in

Barcelona. The winner, picked after a poll of 129 national coaches, will be selected from a shortlist comprising Ronaldo, the Brazilian who won last year, Davor Suker of Croatia and Zinedine Zidane of France.

Green session

The governing council of the United Nations Environment Programme meets at Unep headquarters in Nairobi (to February 5). The 58-strong council will discuss measures to reform and revitalise the UN agency, the budget for the 2000-01 biennium, linkages between the various environmental conventions and environmental policy issues including sustainable tourism.

Holidays

Malaysia, New Zealand.

The International Olympic Committee shrugs off problems over corruption on Tuesday to discuss the threat posed by the increased use of performance-enhancing drugs

TUESDAY 2

Keeping it clean

The International Olympic Committee, mired deep in a corruption scandal, takes time out this week to consider the other controversial issue dogging the Olympic movement – performance-enhancing drugs. A three-day conference at the IOC's headquarters in Lausanne will address the growing threat to the Olympics and sport in general posed by the illegal use of drugs by athletes and sportsmen and women. The conference is an attempt by the IOC to regain the initiative in anti-doping policy by re-establishing the IOC and other governing bodies as the primary authority over all matters relating to drug use in sport.

FOMC opening

The Federal Reserve's open market committee begins a two-day meeting in Washington to review US interest rates. The committee, chaired by Alan Greenspan, is not expected to raise rates, in spite of indications at the end of last week that the US economy is continuing to grow strongly. The committee last met at the end of December, when it left rates unchanged, following three rate cuts over the autumn in response to strains in financial markets.

Monetary symposium

Economics experts including Joseph E. Stiglitz and Eisuke Sakakibara, from Japan's finance ministry, meet in Tokyo at a symposium on international monetary affairs. They will discuss issues such as the reorganisation of international currency systems, the role of international financial bodies, and Japan's part in these matters.

Man alone

The House of Keys, the lower house of the Isle of Man, a self-governing British dependency in the Irish Sea, debates a motion calling for contingency plans for independence from the UK. The Manx fear their island's status as a tax haven could be threatened by any future move towards European economic and monetary union by the UK.

WEDNESDAY 3

EU rich and poor

A survey of economic disparities within the European Union due out today is likely to strengthen Spain's and Portugal's cases for continuing aid. The report, which covers the 1986-96 period, shows the 10 poorest regions in the EU have lifted average GDP by 9 per cent and the 10 richest by 7 per cent.

Learning experience

Bill Gates, chairman of Microsoft, the IT group, meets Wim Kok, the Dutch prime minister, and his cabinet to discuss the use of computers in the Dutch education system.

OECD country survey

The Organisation for Ecónomic Co-operation and development publishes its economic survey of Hungary.

FT Survey

Review of Information Technology.

Holiday

Mozambique.

THURSDAY 4

Arafat in Washington

Yassir Arafat, the Palestinian leader, meets Bill Clinton, the US president, for talks on the suspension of the Wye River peace agreement.

Budget final

Russia's 1999 draft budget receives its fourth and final reading in the state duma. It will later go to the Federation Council to be passed.

Snow business

The 50th annual snow festival opens in Sapporo, where 20 countries compete to produce the best ice sculpture.

Bank report

Sir Brian Unwin, president of the European Investment Bank, reports on the institution's 1998 activites and outlines perspectives for the start of the next millennium in Brussels.

French economy

The Organisation for Economic Co-operation and Development issues its economic survey on France.

Peace dividend

Jamil Mahued and Alberto Fujimori, the Ecuadorian and Peruvian presidents, meet lending agencies in Washington to work out details of $3bn package for cross-border projects under a peace treaty signed in October.

Holidays

Sri Lanka.

FRIDAY 5

Plans for Palestine

Yassir Arafat, the Palestinian leader, visits Germany for discussions with Gerhard Schröder, the chancellor, and Joschka Fischer, foreign minister, on Palestinian plans for statehood, the suspension of the Wye River agreement and European Union aid. A donor conference for the Palestinian territories will be held on Sunday.

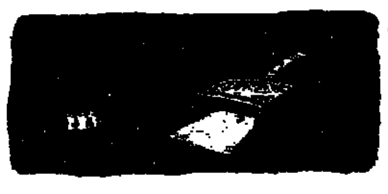
Holidays

Mexico, Burundi.

SATURDAY 6

Dust collector

Nasa is scheduled to launch its Stardust mission, the next stage of its Discovery project. The aim is to collect



a sample of comet dust and return it to earth in January 2006.

Holiday

New Zealand.

SUNDAY 7

Property relief

Switzerland is due to hold a national vote on an initiative to abolish taxes on private property.

Syrian poll

President Hafiz al-Assad is expected to win approval for a fifth seven-year term in office in a referendum in Syria. The 250-member People's Assembly has already voted unanimously to approve his nomination.

Going Dutch

US First Lady Hillary Clinton begins a visit to the Netherlands to attend the United Nations population conference.

Compiled by Roger Beale
Fax 44 171 873 3196

ECONOMIC DIARY

Other economic news

Monday: A raft of US figures start off the week, including data on personal income and consumption, new construction spending, and the National Association of Purchasing Managers' index.
Tuesday: The UK's purchasing managers' index for the service sector in January will be closely watched for any upturn in business activity after recent GDP figures indicated strong growth in the sector.
Wednesday: France's quarterly INSEE business survey for the fourth quarter is expected to show a weaker outlook for demand and lower capacity utilisation, as business confidence deteriorates.
Thursday: The European Central Bank and the Bank of England's monetary policy committee both meet to set interest rates. Most analysts give a higher chance of a further cut in UK interest rates than in the euro-zone.
Friday: Consumer labour market surveys in the US show an improvement in employment, suggesting strong increases in the key non-farm payrolls figure and hourly earnings figures for last month.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Jan car sales		-23.5%		Ireland	Dec credit growth**	24%	24.5%
Feb 1	Japan	Jan foreign exchange reserves		0.6%		US	M2 week ended Jan 25	$8bn	$10bn
	France	Dec producers price index	-2.2%	-2.1%		Japan	Jan overall wholesale price index*	-0.8%	-0.4%
	N'lands	Dec producers price index	-2.2	-5.2		Japan	Jan overall WPI**	-4.8%	-4.4%
	UK	Dec consumer credit	£1.2bn	£1.3bn	Fri	UK	Jan BRC shop prices*		0.07%
	UK	Dec final M4**		8.0%	Feb 5	UK	Jan BRC shop prices**		-0.61%
	US	Dec construction spending	0.5%	0.9%		Japan	Dec coincident index	12.5%	35%
	US	Jan domestic car sales	6.7m	7.5m		Japan	Dec leading differential index	50%	66.7%
	US	Jan domestic light truck sales	6.8m	7.3m		Italy	Dec producer price index**	-1.4%	-1.3%
Tues	Australia	Dec balance on goods & services	-A$800m	-A$960m		N'lands	Jan consumer price index**	1.9%	1.7%
Feb 2	US	BTM-Schroders Jan 30		1.3%		Canada	Jan unemployment rate	8.0%	8.0%
	US	Dec new home sales	960,000	965,000		US	Jan hourly earnings	0.3%	0.4%
	US	Dec leading indicators	0.3%	0.8%		US	Jan average workweek	34.6	34.6
	US	Redbook Jan 30		1.9%		US	Jan unemployment rate	4.4%	4.3%
Weds	Australia	Dec building approvals	0.3%	0.3%		US	Dec home completions		1.6m
Feb 3	France	Q3 q'tly industrial survey, demand	-1	2		US	Dec consumer credit	$6bn	$3.9bn
	UK	Jan CBI distributive trades		+4		Spain	Jan registered unemployment		-18,800
	Canada	Jan foreign reserves, change	C$500m	C$100m	During the week...				
	US	NAPM (non-manufacturing)		49.5%		EMU	Q3 GDP final		0.5%
	Brazil	Jan Fipe consumer price index 4th prev		-0.12%		EMU	Q3 GDP final		2.8%
Thurs	Australia	dec retail trade	0.5%	0.3		EMU	Dec unemployment rate	10.8%	10.8%
Feb 4	France	Jan household survey	-12	-11		Germany	Dec capital account		-DM31.1bn
	Germany	Dec manufacturing orders*	-0.2%	-1.5%		Japan	Dec current account		Y1,290bn
	US	State benefits Jan 23		2.356m		Japan	Dec trade balance		Y1,420bn
	US	Dec factory orders	1.0%	0.6%					

*month on month. **year on year †quarter on quarter. *Statistics, courtesy Standard & Poor's MMS.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 31.01.99 / Final Prices for Trading on 03.01.99

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	27.27	9.37	9.37	0.00
0100	37.60	25.00	25.45	1.14
0130	37.60	25.91	26.36	1.14
0200	27.27	27.95	28.41	1.14
0230	28.10	25.91	26.36	1.14
0300	28.10	27.95	28.41	1.14
0330	28.10	27.95	28.41	1.14
0400	14.90	25.91	26.36	1.14
0430	8.50	19.65	20.11	1.14
0500	8.50	15.49	15.94	1.14
0530	19.04	10.74	11.19	1.14
0600	9.00	10.74	11.19	1.14
0630	19.04	10.74	11.19	1.14
0700	19.04	10.74	11.19	1.14
0730	8.00	9.00	9.45	1.14
0800	7.00	9.00	9.00	0.00
0830	7.00	9.00	9.00	0.00
0900	19.04	9.00	9.00	0.00
0930	19.04	9.00	9.45	1.14
1000	19.28	10.74	11.19	1.14
1030	27.13	18.81	19.26	1.14
1100	27.13	21.63	22.08	1.14
1130	19.28	24.00	24.45	1.14
1200	19.28	29.20	29.65	1.14
1230	19.28	29.20	29.65	1.14
1300	19.28	29.20	29.65	1.14
1330	19.28	29.20	29.65	1.14
1400	19.28	11.30	11.30	0.00
1430	19.28	10.40	10.40	0.00
1500	19.28	9.80	9.80	0.00
1530	14.89	9.70	9.70	0.00
1600	14.89	11.30	11.30	0.00
1630	14.90	24.11	24.56	1.14
1700	20.23	33.59	34.04	1.14
1730	27.44	55.89	56.34	1.14
1800	27.50	55.89	56.34	1.14
1830	27.50	43.36	43.81	1.14
1900	27.50	36.30	36.75	1.14
1930	20.23	33.59	34.04	1.14
2000	20.23	30.52	30.98	1.14
2030	20.60	30.52	30.98	1.14
2100	20.23	24.11	24.56	1.14
2130	14.91	21.63	22.08	1.14
2200	[illegible]	[illegible]	[illegible]	1.14
2230	[illegible]	[illegible]	[illegible]	1.14
2300	[illegible]	[illegible]	[illegible]	1.14
2330	[illegible]	[illegible]	[illegible]	1.14
2400	[illegible]	[illegible]	[illegible]	0.00

Prices are determined for every half-hour in each twenty-four hour period. [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 01.02.99 / Final Prices for Trading on 04.01.99

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	9.50	15.70	16.10	1.16
0100	9.50	15.70	16.10	1.16
0130	14.90	17.00	17.39	1.16
0200	29.52	17.00	17.39	1.16
0230	10.74	15.70	16.10	1.16
0300	14.89	17.00	17.39	1.16
0330	14.89	17.00	17.39	1.16
0400	27.62	15.70	16.10	1.16
0430	27.62	15.70	16.10	1.16
0500	14.89	14.00	14.00	0.00
0530	9.44	9.90	9.90	0.00
0600	9.42	9.80	9.80	0.00
0630	9.44	15.90	15.90	0.00
0700	9.44	21.04	21.43	1.16
0730	35.09	65.43	65.82	1.16
0800	56.69	65.43	65.82	1.16
0830	56.69	56.14	56.54	1.16
0900	56.69	56.15	56.54	1.16
0930	57.52	58.15	58.55	1.16
1000	57.53	58.16	56.57	1.16
1030	57.53	41.36	41.77	1.16
1100	52.54	41.28	41.70	1.16
1130	52.54	41.43	41.87	1.16
1200	52.54	56.30	56.76	1.16
1230	94.85	58.34	58.81	1.16
1300	94.85	58.35	58.82	1.16
1330	37.25	41.55	42.09	1.16
1400	43.65	43.56	44.06	1.16
1430	43.65	43.59	44.10	1.16
1500	37.25	43.57	44.07	1.16
1530	37.26	43.59	44.10	1.16
1600	48.60	42.37	43.14	1.16
1630	48.84	50.75	53.57	1.16
1700	62.06	83.20	88.09	1.16
1730	70.28	85.35	90.59	1.16
1800	76.32	78.91	83.73	1.16
1830	73.27	71.37	73.08	1.16
1900	70.84	60.30	61.15	1.16
1930	63.94	56.54	57.07	1.16
2000	94.85	56.22	56.64	1.16
2030	94.85	56.15	56.54	1.16
2100	37.59	56.14	56.54	1.16
2130	37.59	34.13	34.52	1.16
2200	26.05	28.06	28.45	1.16
2230	20.83	28.06	28.45	1.16
2300	20.85	28.06	28.45	1.16
2330	20.83	15.90	15.90	0.00
2400	20.83	14.00	14.00	0.00

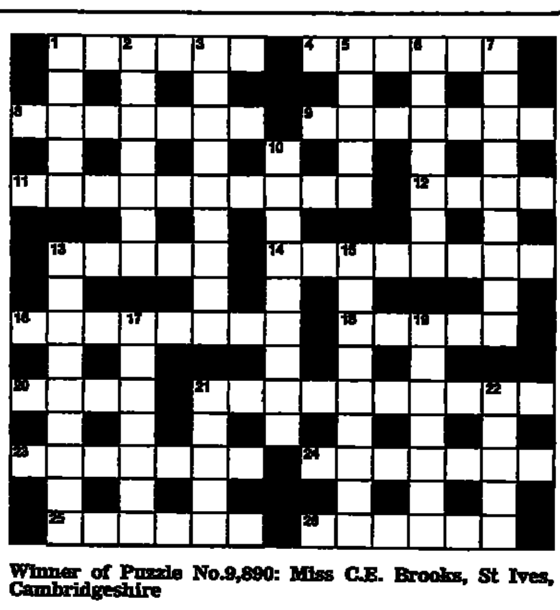
Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible]

JOTTER PAD

MONDAY PRIZE CROSSWORD
No.9,902 Set by GRIFFIN

ACROSS
1 Sitting for a time among children (6)
4 Customer parking on tar newly spread! (6)
8 Shamefaced sailor takes a drop! (7)
9 Fail to understand I have shorter message (7)
11 Note King's new name for palace (10)
12 Note, with anger, where it is (4)
13 Man removing bails (5)
14 Colourful container inapt for wrapping present (8)
16 Carried on in history and looked for (8)
18 Firearm for a man on board? (5)
20 Conservative leader with a record that's foul (4)
21 Objection to locks for piers? (10)
23 Putting salt in meal I cooked is friendly? (7)
24 Having exchanged one lira on plane, flap! (7)
25 One temporarily in charge of the issue? (6)
26 Happy to be burning hot live outside (6)

DOWN
1 Fur is practical when going topless! (5)
2 As the nuns have lost Elizabeth gives a hand (7)
3 Always on the outside but not unknown (9)
5 To be still held by a pole is stranger (5)
6 Regard as a bit more spectacular (7)
7 By noon remove unruly soldiers – but not ever again (9)
10 Pit duty is not normally simplicity (9)
13 Fan, 50 amps, used by people stripping? (9)
15 One warlike president admitted it's fair (9)
17 Old lady in tank travelling from place to place (7)
19 See it as possibly the least difficult (7)
21 In competition students find she's fair (5)
22 Elicit approval during the day before (5)



Winner of Puzzle No.9,890: Miss C.E. Brooks, St Ives, Cambridgeshire

A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday February 11, marked Monday Crossword 9,902 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday February 15. Please allow 28 days for delivery of prizes.

Name......

Address......

Solution 9,890